S. HRG. 99-95

U.S. TRAVEL AND TOURISM ADMINISTRATION AUTHORIZATION

HEARING

BEFORE THE

SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

S. 193

TO AUTHORIZE FUNDS FOR THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

S. 374

TO PROVIDE AUTHORIZATION OF APPROPRIATIONS FOR THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

MARCH 25, 1985

Printed for the use of the
Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE

48-290 O WASHINGTON : 1985

Sa61-39

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

JOHN C. DANFORTH, Missouri, *Chairman*

BOB PACKWOOD, Oregon,	ERNEST F. HOLLINGS, South Carolina
BARRY GOLDWATER, Arizona	RUSSELL B. LONG, Louisiana
NANCY LANDON KASSEBAUM, Kansas	DANIEL K. INOUYE, Hawaii
LARRY PRESSLER, South Dakota	WENDELL H. FORD, Kentucky
SLADE GORTON, Washington	DONALD W. RIEGLE, JR., Michigan
TED STEVENS, Alaska	J. JAMES EXON, Nebraska
BOB KASTEN, Wisconsin	ALBERT GORE, JR., Tennessee
PAUL S. TRIBLE, JR., Virginia	JOHN D. ROCKEFELLER IV, West Virginia

W. ALLEN MOORE, *Chief Counsel and Staff Director*
RALPH B. EVERETT, *Minority Chief Counsel and Staff Director*

SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM

LARRY PRESSLER, South Dakota, *Chairman*

BOB PACKWOOD, Oregon	ALBERT GORE, JR., Tennessee

CONTENTS

	Page
Opening statement by Senator Pressler	1
Opening statement by Senator Hollings	3
Opening statement by Senator Inouye	4
Opening statement by Senator Gore	4
Text of bills:	
S. 193	7
S. 374	8

LIST OF WITNESSES

Toohey, William D., president, Travel Industry Association of America; John Graff, executive director, International Association of Amusement Parks and Attractions; and Cord D. Hansen-Sturm, vice president, First Family of Travel.	21
Prepared statement	30
Tuttle, Donna F., Under Secretary for Travel and Tourism, Department of Commerce	9
Questions of Senator Inouye and the answers	20

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

Air Transport Association of America, statement	44
Sasser, Hon. Jim, U.S. Senator from Tennessee, statement	43
The Role of Travel in the Foreign Policy of an Information Economy, article	46
Warner, Hon. John, U.S. Senator from Virginia, statement	41

U.S. TRAVEL AND TOURISM ADMINISTRATION AUTHORIZATION

MONDAY, MARCH 25, 1985

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM,.
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m. in room SR-253, Russell Senate Office Building, Hon. Larry Pressler (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Charlie Faust, professional staff member and John D. Hardy, minority staff counsel

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. We will call this hearing to order and welcome everyone to this hearing before the Senate Commerce Committee Subcommittee on Business, Trade, and Tourism. We are here to discuss fiscal year 1986 funding for the U.S. Travel and Tourism Administration.

This committee has, since its creation in 1981, strongly supported the USTTA. In fact, the first major legislation considered by the subcommittee was the National Tourism Policy Act, which created the USTTA and the position of Under Secretary of Commerce for Travel and Tourism. Since the passage of the National Tourism Policy Act, the subcommittee has been instrumental in providing sufficient budget authority for the USTTA to carry out its mission.

The need for vigorous Federal promotion of travel and tourism is greater now than at any time in recent memory. Our share of international travel receipts has dwindled from a peak level of 13 percent in 1976 to about 10.6 percent. This drop corresponds with the drop in our Federal promotion of tourism, as shown by the chart in front of me here, and has cost us billions of dollars in lost revenues.

Our trade deficit is at an all-time high of $123 billion. Although we still have a surplus in trade in the service sector, of which tourism is a vital part, this surplus has declined from $41 billion to just $19 billion in 2 years. This surplus no longer begins to make up for our huge deficit in the trade of manufactured goods.

The Congress, in response to these circumstances, has provided consecutive appropriations of $12 million for the USTTA for fiscal years 1984 and 1985. Although these appropriations have reversed the decline in tourism promotion shown in this chart, our Federal expenditures on tourism promotion do not compare with those of

our Western competitors. The tourism promotion budgets of most Western nations would register well above the highest point on the chart.

I am pleased that the importance of travel and tourism has been increasingly recognized in recent years. Last year the President proclaimed the first National Tourism Week in our history, and the Republican Party platform expressed specific support for the travel and tourism industry.

Representatives of the industry developed at their own expense a comprehensive marketing plan to coordinate Federal and private promotion of U.S. travel destinations. This subcommittee will review the recommendations of this marketing plan at hearings this year.

Finally, many States have increased their budgets for tourism promotion and developed State tourism policies similar to our national tourism policy.

In keeping with this trend, I have introduced legislation to authorize $15 million for the USTTA in fiscal year 1986. The $15 million budget would in real terms still be further below our budgets of the 1970's and even further below the expenditures of other nations.

This legislation is intended to balance the need for strong Federal tourism promotion with the need for fiscal constraint in the face of a growing Federal deficit. The administration, in its admirable attempt to reduce the deficit, has proposed to eliminate the USTTA during fiscal year 1986.

As I have said many times, elimination of the USTTA will only increase the deficit, because the USTTA generates much more in tourism revenues than it spends on promotion. The deficit would actually be reduced by an increase in USTTA's budget.

I had hoped to discuss this issue with David Stockman, Director of the Office of Management and Budget, but Mr. Stockman and Deputy Director Joseph Wright have declined our repeated invitations to appear before the subcommittee to exchange views on the future of the USTTA.

In my view, the travel and tourism industry, which is among the top 3 employers in 39 States, including my home State of South Dakota, is far too important to our economy to be abandoned by the Federal Government. The revenues and jobs generated by foreign visitors are critically important, not just to large corporations but to many small businesses which, in South Dakota and throughout the Nation, make up the backbone of our economy.

A strong USTTA will strengthen the tourism industry, as well as would a reform of our overly stringent visa system, which inhibits international travel to the United States. The visa waiver program that I added to the Immigration Reform and Control Act in 1982 would facilitate the free and welcome entry of foreign travelers without sacrificing national security imperatives.

Although visa waiver legislation is supported by the administration and has passed both the Senate and the House of Representatives, our visa requirement remains unchanged. Tomorrow I will introduce a freestanding visa waiver bill and I ask the administration, the tourism industry, and my colleagues in the Congress to support its passage independent of immigration legislation.

I am very pleased the distinguished cochairmen of the Senate Tourism Caucus, Senators Warner and Sasser, will join me in this effort. I would also mention that Senators Warner, Sasser, and Inouye have submitted statements for our hearing record, and I am grateful for their comments in support of the USTTA.

At this time I am honored to welcome a new member, Senator Albert Gore of Tennessee, to the subcommittee. I look forward to working with Senator Gore and would welcome any statement that you and Senator Ford have to make.

I would also add one other note here, that this is the season for cutting budget deficits, and some might say how can we be arguing for an increase over what the administration has suggested? First of all, my bill is at $15 million. There was a time when the amount appropriated for this function was higher than that, so historically there has been a cut.

The point is that this function of the Government has taken a substantial cut from the level that it was in the late 1970's and early 1980's and that is something that I think we need to keep in mind.

Also, I think we need to keep in mind the amount of money that would be generated as a result of this, that will help keep our deficit lower.

So with that, I will call on my colleagues, whoever wishes to speak first. And I say again what a pleasure it is to have Senator Gore as a ranking member on this subcommittee.

Senator FORD. Mr. Chairman, I appreciate the opportunity to be here this morning. I have no opening statement, but do have a opening statement by Senators Hollings and Inouye that I would like to be included in the record.

Senator PRESSLER. Without objection, it is so ordered.

[The statements follow:]

OPENING STATEMENT BY SENATOR HOLLINGS

Mr. Chairman, I am a cosponsor of S. 193, which provides a 3-year authorization for the United States Travel and Tourism Administration.

Inasmuch as the cost/benefit ratio of the agency's programs is $18.50–$1, the Federal funds are well spent, and actually generate revenues for the Federal, State, and city treasuries.

I believe some recent statistics illustrate what tourism means to our national economy.

U.S. travelers and foreign visitors spent $370 billion in the U.S. in 1983.

Tourism spending in the U.S. directly and indirectly generated in estimated 12.9 million jobs in 1983, representing 12.8% of the employed civilian force.

It is estimated that each $1 billion of tourism spending directly or indirectly generated 35,000 jobs.

Tourism spending produced over $44 billion in Federal, State, and local tax revenue in 1983.

And, the statistics for my own State of South Carolina are equally impressive.

South Carolina received an estimated 313,000 foreign visitors in 1983.

Foreign visitors spent $65.4 million in South Carolina in 1983.

Foreign visitors generated $13.9 million in payroll in South Carolina in 1983.

1,700 jobs were generated in South Carolina in 1983 by foreign visitor spending.

South Carolina collected $6.2 million in Federal, State, and local taxes from foreign visitor spending in 1983.

Despite the enormous contribution the industry makes to our economy, each year Congress not only has to fight the reauthorization battle, but it has to fight the funding level battle as well.

I think it is obvious what would happen to a private corporation if it did not know more than a few months in advance whether it would remain in business, and what it's budget would be in the event it did stay alive.

Clearly, such an enterprise could not develop plans or programs; it could not avail itself or opportunities, however lucrative, if to do so required a future commitment; other sectors of the business community would be hesitant to negotiate or enter into joint endeavors; and it would be difficult for it to attract and keep qualified personnel.

Why then, is the case of the United States Travel and Tourism Administration any different?

We expect this agency to compete with the agencies of over 120 nations throughout the world for international tourists.

For all these reasons I am a cosponsor of S. 193.

I look forward to hearing the testimony of the witnesses this morning.

Opening Statement by Senator Inouye

Both of the bills under consideration this morning are, in my judgment, good bills. I was the sponsor of one (S. 193); and a cosponsor of the other (S. 374).

These bills are not, however, the fundamental issue here today. What is in question is whether the Federal Government has an appropriate role in promoting the United States as an international travel destination.

The law (Public Law 97-63), and the entire body of travel industry experts answer that question affirmatively; the administration stands alone in the negative. Its position becomes even more baffling when one considers that over 125 nations have national tourism promotion offices located outside their borders.

So we are asked to believe that Congress, the entire tourism industry, and over 125 countries are wrong, and the administration is right.

I also believe that the administration's proposal to terminate a program which has a cost/benefit ratio of $18.50–$1, is counter-productive to our efforts to reduce the very serious budget deficit. Tourism generates revenues.

U.S. travelers and foreign visitors spent $370 billion in the U.S. in 1983.

Tourism spending in the U.S. directly and indirectly generated an estimated 12.9 million jobs in 1983, representing 12.8% of the employed civilian force.

It is estimated that each $1 billion of tourism spending directly or indirectly generated 35,000 jobs.

Tourism spending produced over $44 billion in Federal, State, and local tax revenue in 1983.

Finally, I would like to emphasize that in the likely event Congress disagrees with the administration and funds the travel service, the battle is not over. Time and time again we have seen OMB and the executive branch prevent the travel service from carrying out its responsibilities under the law.

The most recent example of this occurred when the OMB prevented the Agency from opening three new overseas offices on January 1, as Public Law 98-411 directed.

So I believe the major task before us today is to get the message to the administration that continuation and full support of the USTTA is in the national interest.

Senator Ford. I will have a question of the witness and probably some others to submit for written replies later in the hearing.

OPENING STATEMENT BY SENATOR GORE

Senator Gore. Mr. Chairman, I am glad to join you as the ranking minority member of the subcommittee. I look forward to working with you and with the staff and with all those who are interested in the efforts that we have under way in this subcommittee. I think we are going to have an interesting 2 years and I am looking forward to it a great deal.

I am particularly pleased to join the effort to examine ways the Federal Government should and should not encourage travel and tourism opportunities for foreign visitors to the United States. I do not believe the Government should invest taxpayers' money on ventures that are more efficiently and appropriately undertaken by

private business. However, in the case of promoting foreign travel to the United States, the Federal Government has a tremendous opportunity by leveraging a small amount of funds to produce huge economic benefits for this country and make a substantial dent in the troubling U.S. trade deficit.

I represent a State, Tennessee, where travel and tourism account for more than $3 billion in revenues, 82,000 jobs, and a direct payroll of $645 million. So I fully appreciate the contributions that the travel industry can make to our economy.

Much of Tennessee's success in generating travel revenues can be attributed to its many natural resources and special attractions, but of course other States have resources, too. Tennessee has become one of the top U.S. States in tourism revenues largely because it has been one of the most successful in promoting its many attractions.

I believe that the Federal Government can take a lesson from the successful travel marketing efforts of States like Tennessee. This is a good example of how spending a limited amount of public money can produce benefits far beyond the original investment. In our case, in return for at most $10 million of public investment, the State of Tennessee produced nearly $300 million in total tax revenues in 1982 alone—an impressive return on investment in any estimation. I would like to believe that the Federal Government can do the same thing.

The travel industry does a good job of promoting its own individual enterprises. Certain airlines and hotels and special attractions are adept at using advertising and other tools to produce business. But these appeals are necessarily narrowly focused.

What our country needs is a coordinated effort to sell the United States to foreign travelers. Working with individual travel businesses, State and local governments, this coordination can pay off.

There is no question that the level of foreign travel to the United States is a function of several things, not only marketing success but economic factors like the relative value of the dollar. Until the dollar is brought into balance, all U.S. industries, including travel and tourism will suffer.

However, we do have tools to help offset the dollar problem in the travel economy. The National Tourism Policy Act and its predecessor, the International Travel Act of 1961, recognized clearly that no single airline, hotel, or other sector of the travel industry can adequately get the message out to nationals of other countries that they are more than welcome in the United States.

No single element of the travel industry, no single State or city, can be expected to portray our national treasures and cultural accomplishments and invite the people of the world to experience them. Serving as the national host is uniquely the function of government. It is the host country's job to create and maintain the interest of potential tourists to its shores. It is the job of the various segments of the private sector to supply the means whereby that interest can be satisfied.

From a commercial perspective, the role of Government is to expand the size of the total market by marketing the Nation as a whole, its scenery, its cultural attractions, its people, and the cost-

value relationship of visiting this country rather than a competing nation.

Quite simply, where most products and services are concerned competition is between individual firms. In international tourism, however, it is between governments. This is the rationale for the U.S. Travel and Tourism Administration, and unfortunately this rationale has been rejected by the administration.

I would hope that the administration's witness will be able to explain why it believes Congress has been wrong for the past 25 years. Mr. Chairman, I would hope we are beyond the point of suggesting that eliminating USTTA is necessary for budgetary reasons. In 1983, for example, the Government received nearly $14 billion in tourism-generated tax revenues, with over three-quarters of a billion or $854 million of this coming from foreign visitors. Our export earnings from tourism were $11.4 billion and $14.4 billion when airline passenger receipts are included.

The industry added 246,000 new jobs, meaning 43 percent of all new jobs created in the United States in 1983.

As a further illustration of tourism's economic importance, I would ask unanimous consent that an economic fact sheet relating to tourism in my own home State of Tennessee be placed in the hearing record, and I look forward to the hearing today.

Senator PRESSLER. Without objection that will be included along with the two bills.

[The material referred to follows:]

TENNESSEE FACT SHEET

ECONOMIC IMPACT OF TRAVEL AND TOURISM IN 1982

Travel and tourism was the 2nd largest employer in the State in 1982.

In 1982, travel and tourism generated: 82,900 jobs; 4.9% of all jobs in Tennessee; $645 million in payroll; and over $3.1 billion expenditures in the State[1] (tourists spent nearly $8.7 million per day in Tennessee in 1982).

$3,168 million total domestic traveler expenditures.

$292 million total tax revenues; $139 million Federal tax revenues; $114 million State tax revenues [1] (tourism contributed more than $312,000 per day to Tennessee in State taxes in 1982. Tennessee received $27.14 in tourism generated state taxes for each dollar the State budgeted for tourism in 1982), and $39 million local tax revenue.

Tennessee ranked 8th in the U.S. in terms of State tourism budgets in 1982–83.

Note.—1982 is the latest data available. 1983 data will be released in late summer 1985.

Source: U.S. Travel Data Center and Travel and Tourism Government Affairs Council.

[1] Totals do not include foreign visitor contributions.

99TH CONGRESS
1ST SESSION

S. 193

To authorize funds for the United States Travel and Tourism Administration.

IN THE SENATE OF THE UNITED STATES

JANUARY 3, 1985

Mr. INOUYE (for himself, Mr. HOLLINGS, Mr. HEFLIN, Mr. LAUTENBERG, Mr. RIEGLE, and Mr. EXON) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

---

A BILL

To authorize funds for the United States Travel and Tourism Administration.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 304 of the International Travel Act of 1961 (22 U.S.C. 2126) is amended by inserting immediately before the period at the end thereof the following: ", $14,500,000 for the fiscal year ending September 30, 1986, $15,500,000 for the fiscal year ending September 30, 1987, and $16,500,000 for the fiscal year ending September 30, 1988".

99TH CONGRESS
1ST SESSION

S. 374

To provide authorization of appropriations for the United States Travel and Tourism Administration.

IN THE SENATE OF THE UNITED STATES

JANUARY 31, (legislative day, JANUARY 21), 1985

Mr. PRESSLER (for himself, Mr. WARNER, Mr. INOUYE, Mr. LAXALT, Mr. SASSER, Mr. MELCHER, Mr. HECHT, Mr. LEAHY, Mr. JOHNSTON, Mrs. HAWKINS, Mr. STAFFORD, Mr. SPECTER, Mr. WILSON, Mr. MOYNIHAN, Mr. NUNN, and Mr. HEFLIN) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

---

A BILL

To provide authorization of appropriations for the United States Travel and Tourism Administration.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 304 of the International Travel Act of 1961 (22 U.S.C. 2126) is amended by inserting immediately after "1982" the following: ", and not to exceed $15,000,000 for the fiscal year ending September 30, 1986".

Senator PRESSLER. I might just take a personal privilege. A former Governor and Lieutenant Governor and one of the most active Democrats in my State has just entered, Harvey Wolman. Harvey, why do you not stand up so we can recognize you. We are glad to see you this morning, Governor.

With that, we are going to call on the Honorable Donna Tuttle, the Under Secretary of Commerce for Travel and Tourism, for her testimony.

STATEMENT OF DONNA F. TUTTLE, UNDER SECRETARY FOR TRAVEL AND TOURISM, DEPARTMENT OF COMMERCE

Ms. TUTTLE. Thank you, Senator.

Mr. Chairman and members of the subcommittee, I appear before you today in support of the President's fiscal year 1986 budget request of $4 million. Since the President's budget reflects the proposal to terminate authorization for the USTTA effective October 1, 1985, the administration does not support S. 193 and S. 374, legislation to authorize appropriations for the USTTA. The $4 million requested in the budget is necessary for the closeout of USTTA overseas operations and to support a small staff in Washington, DC, to complete the closeout efforts.

While we recognize that successful activities directed to the promotion of international travel to the United States contribute to the Nation's economy and to the balance of trade, fiscal necessity requires that we establish priorities among the many claims on the funds provided by the general taxpayer.

In response to the problem of a severe Federal deficit, the administration has decided to reduce or eliminate taxpayer support for those programs that it believes can be better carried out by private industry or that can be deferred altogether. Moreover, we believe that the strongest contribution the Federal Government can make to the health of the American industry is to create the conditions necessary for broad economic expansion.

The travel and tourism industry, as well as State and local governments has been increasing their efforts in the international tourism marketplace. The Department will continue to encourage this by doing everything possible through legislation or deregulation to free private enterprise from the restraints imposed by Government. I fully support these efforts.

I would be happy to respond to any questions you may have.

Senator PRESSLER. Well, thank you very much.

Now, as I mentioned in my opening statement, the 1984 and 1985 USTTA budgets are the largest Federal tourism promotion budgets of this decade. Will you describe some of the programs that the USTTA has undertaken during the past 2 years?

Ms. TUTTLE. Probably the main part of our program has been concentrated in what we call a cooperative advertising program, where we have gone into each of the markets and put in some seed money and tried to get the cooperation of private industry and States and cities to jointly promote with us in a coordinated fashion.

We have been able to update our regional brochures, and other literature, that we have not done in 7 years, as well as initiate some other innovative programs in the overseas markets.

Senator PRESSLER. Do you feel that these have been useful programs? Have they had a positive result? How would you assess the result of your efforts?

Ms. TUTTLE. Yes, I do think that they have been successful and very good. One of the things that we were trying to do—in fact I think last year at this time, I was telling you that we were going to go through and assess each one of our programs to try to find out what the return was on them. That is something in tourism that we have not been able to do.

We are doing that right now. We have seen some very good results from the cooperative advertising program.

Senator PRESSLER. Now, during the development of your West German advertising campaign you were assisted by professional pollsters and advertisers. What important findings emerged from their analysis of the Western European travel market?

Ms. TUTTLE. We found out that indeed the international visitor was becoming much more sophisticated and knowledgeable about America. He is very interested in the West, and is going way beyond the international gateways and wants to see the wide-open scenic places of America.

And No. 2, that he wants—an interesting fact—that he wants to travel in America in a prepaid package tour. There were other things also.

Senator PRESSLER. How many offices do we currently have in Europe? What are your activities in Europe in terms of offices and other activities?

Ms. TUTTLE. We have three active offices in Europe, in France, the United Kingdom, and Germany. We have two other offices that were designed to open in January, The Netherlands and in northern Italy.

The activities that are conducted in these offices are a variety of marketing mix, anywhere from seminars and cooperative advertising to travel missions and familiarization tours.

Senator PRESSLER. Now, the USTTA's fiscal year 1985 appropriation included a mandate that three new USTTA field offices be opened by January 1, 1985. I guess you probably already answered that question. What is the status of these offices?

Ms. TUTTLE. The offices were all actually ready to go in December, and in fact the office in Sidney, Australia, has been opened and a director has been chosen. We do have a consumer program running out of that office. The other two offices have been put on hold because the rescission proposal requests that we close those three offices. So while the rescission proposal is being considered by the Hill, we are postponing announcement of the selected directors for these offices.

Senator PRESSLER. So our overseas offices that are now open are in Germany, northern Italy, the United Kingdom, and Australia, and where else?

Ms. TUTTLE. Well, Canada and Mexico and Japan, and we have a limited one in Sydney, Australia, a consumer program.

Senator PRESSLER. So there is a total of seven, then, six operating?

Ms. TUTTLE. Six full-time offices, right.

Senator PRESSLER. If the administration's rescission request for the USTTA is not approved, do you know if the funds will be obligated or if the administration will propose to defer the funds?

Ms. TUTTLE. Those funds would be obligated.

Senator PRESSLER. Those funds would be obligated where?

Ms. TUTTLE. In actually activating and running the three offices.

Senator PRESSLER. The administration supported visa waiver legislation in both the 97th and 98th Congress. Do you expect that the administration will actively support the visa waiver bill that I will introduce tomorrow?

Ms. TUTTLE. Oh, absolutely. I think the administration is very supportive of it and is very anxious to see this kind of a bill. It is very much needed.

Senator PRESSLER. Yes, and that is an important thing. Some people feel that the visa program keeps drugs out of the country or it keeps people out that we do not want in. But that is not true, because the program is so cumbersome that there is no check on any of those items, and I always emphasize that.

I was a supporter of the Simpson-Mazzoli bill last year, but we sort of got lost in bigger issues. I guess the visa waiver issue goes on year after year, but I sincerely hope we can have it as a free-standing resolution this year so we do not get bogged down.

But since it is an attractive thing and everybody supports it, people try to attach other things to it. I think that through the Tourism Caucus on both sides and other efforts, if we could get an agreement to keep it as free-standing as possible that would be very helpful.

A common concern of ours has been Canada's taxation of U.S.-imported travel literature. Canada has levied this tax on all incoming literature, even that which is distributed free of charge. Last year I introduced a resolution calling on the administration to urge Canada to remove its tax. Since the passage of my resolution, I have followed the negotiations between our Government and Canada's, and I understand that these negotiations recently produced a positive result.

Will you describe the recent agreement with Canada and discuss any role the USTTA had in the negotiation process?

Ms. TUTTLE. First of all, I think this whole effort is a very good example of the very united front both from the congressional effort, from the States and cities themselves, from private industry, from lobbyist groups, and from our agency, USTTA, because I think definitely that Canada has felt the pressure coming in from all different entities in the travel and tourism industry.

It was the Deputy Under Secretary, Roger Whyte, who really has been working with USTR for the last 6 months, trying to put some pressure on Canada and to show them just what kind of a return they were getting on this tax issue. And we were very pleased to see the President negotiated this issue during his last trip to Canada, and to learn that when the new budget comes out in Canada in the first or second week of May that it will not have this

10-percent tax for cities, States, or convention bureaus on any literature going to Canada. So we were very pleased with the results.

Senator PRESSLER. Most of USTTA's programs are conducted outside the United States. You do, however, conduct some domestic programs, such as the USTTA's City/State Day's Conference. Will you tell us about this conference and other ways in which the USTTA works with State and local tourism agencies?

Ms. TUTTLE. We felt that we had a great deal of information within Washington and that we needed better communications between our directors overseas and the States and cities. So in February we called in the States and cities and our overseas directors to give them a chance to divide up into regional groups so that they could discuss their own marketing opportunities for that State in the overseas market.

It also gave us an opportunity to distribute a lot of information, research that we had been conducting for the last 6 months. You mentioned the Gallup survey, and we had other surveys that we gave out so that we could help cities and States plan their marketing activities in the overseas markets.

Senator PRESSLER. I mentioned earlier my disappointment that the Office of Management and Budget proposed to eliminate the USTTA and subsequently they declined to discuss the proposal with us this morning. I am especially disappointed that OMB has apparently ignored or rejected the recommendations of the industry-prepared international marketing plan, which was developed to address OMB's concerns about the appropriate role of USTTA.

Have you discussed the recommendations of this plan with anyone inside the administration?

Ms. TUTTLE. I have. I have discussed the plan with OMB and the feedback was that they were very impressed with what the industry had done. I especially think that they were impressed that they had given industry a challenge and that indeed the industry had met it and had given a very good plan. USTTA has gone over with a fine-tooth comb, and I would probably say that three-quarters of it is what we are doing right now.

Senator PRESSLER. Are you aware of any estimates as to the amount of travel revenue generated by the USTTA's promotional programs?

Ms. TUTTLE. I am sorry?

Senator PRESSLER. Are you aware of any estimates or studies or even offhanded estimates as to the amount of travel revenue generated by your office's or USTTA's promotional programs?

Ms. TUTTLE. As I said, we were doing a series of assessment programs. One that we received about 3 months ago was for our Canadian Consumer Program, which is a large part of our program in Canada, and we did assess that we had a direct impact on somewhere around 12,000 visitors that came into the United States. They had marked us down as clearly the reason why they had come to the United States, that we had been part of the deciding factor and indeed had caused them to stay longer.

We were able to translate that to a dollar figure and it was impressive. So there was a return on that program.

Senator PRESSLER. Thank you.

Senator Ford.

Senator FORD. Mr. Chairman, let me follow the line here, and I want to try to get some information to follow through on this.

As I understand it, Madam Secretary, you are the top official as it relates to travel and tourism at the Department of Commerce?

Ms. TUTTLE. Yes, sir.

Senator FORD. And the only one above you, then, would be the Secretary of Commerce?

Ms. TUTTLE. There is the Deputy Secretary and the Secretary, that is right.

Senator FORD. Now, if we allow the administration to terminate USTTA, what will be your role then?

Ms. TUTTLE. I personally would be out of a job. I assume I would have no role in travel and tourism.

Senator FORD. Then you have been very eloquent in stating the cooperation you have had from the cities, States, and so forth. Under those circumstances, there would really be no ability then for the Federal Government to cooperate, to have marketing programs and seed money that you talked about in the next fiscal year, if the funding is zeroed?

Ms. TUTTLE. While I have been very candid about my programs and I do think they have been effective, I would assume that some of that coordination and leadership would be assumed by other agencies of the Department of Commerce.

Senator FORD. Well, if they did not have any money how would they assume it?

Ms. TUTTLE. We have not worked out any details and I have not looked into it, but I would assume other agencies within the Department of Commerce.

Senator FORD. Would you basically say that the answer is that they would not be able to do anything?

Ms. TUTTLE. The Department of Commerce? No, I would say that the International Trade Administration within Commerce would be handling the tourism, as it does other trade items.

Senator FORD. But actually it would not have the experts to do those things, like you now have in your area, unless they absorb them? And what you are leading into is that you could absorb this agency into the Department of Commerce and still function properly without the funding. That is what bothers me.

Ms. TUTTLE. I think tourism receives more attention, no doubt, because we are an agency devoted to that one trade item. But as tourism is conducted in other markets where we do not have a presence, that is what I would assume would happen.

Senator FORD. Let me ask you this: How many of the offices that are now on hold were due to open January 1?

Ms. TUTTLE. Three new offices.

Senator FORD. And they actually were not opened on January 1?

Ms. TUTTLE. Sydney, Australia, was opened. The other two, their sites are chosen and the clearances have been done by the State Department and by the Ambassador.

Senator FORD. Was that so that you could open it up by January 1?

Ms. TUTTLE. Oh, yes, it was done in December, and support systems were in place.

Senator FORD. But the rescission only came up in February.

48-290 O - 85 - 2

Ms. TUTTLE. The rescission proposal was transmitted to the Congress in February. We got our instructions at the end of December to go ahead with what OMB was recommending. The last thing we had to do was to hire the directors of those two offices. We felt it was a very difficult decision for someone to make of whether or not to accept a position, knowing that those offices might be closed.

Senator FORD. So you knew in December, then, that the offices would be closed?

Ms. TUTTLE. At the end of December we received notification by OMB to cease activities related to opening those offices.

Senator FORD. That they would be closing in February?

Ms. TUTTLE. No. That we should cease activities related to their opening. The rescission was actually proposed in February.

Senator FORD. If my knowledge of rescissions is correct, and I stand to be corrected, we have 45 legislative days in order to make the decision whether to override the rescission. Is that correct?

Ms. TUTTLE. That is correct.

Senator FORD. Well, since we recess and do not adjourn, then the legislative day could run for a week and it could be 45 weeks before we would ever get to the rescission under those circumstances. So for all practical purposes, we may not be able to get to it this year, is that correct?

Ms. TUTTLE. It could go on and on. I think right now that the time is slated for some time in April. It all depends on the schedule of the Senate.

Senator FORD. That is providing that the legislative days turn properly.

Ms. TUTTLE. Absolutely.

Senator FORD. Then if the rescission is overridden, then we could have a deferral that could come right behind it.

Ms. TUTTLE. If the rescission is overridden, then the funds would be put back into the offices.

Senator FORD. But then there is a deferral?

Ms. TUTTLE. Oh, I see. Then there could be a deferral, I suppose.

Senator FORD. So for all practical purposes, we are going against a windmill, are we not?

Ms. TUTTLE. I have not heard about any deferral, and so right now the rescission proposal is all I know about and that is what we are dealing with.

Senator FORD. Let me talk to you about a procedure and a lot of rumors, and maybe you could clear it up for the record and I hope you will clear it up for the record. Now, as I understand the budgetary process, USTTA decided internally what budget it would request for fiscal year 1986, is that correct?

Ms. TUTTLE. That is correct.

Senator FORD. Your request in turn is submitted to the Secretary of Commerce, who either agrees or disagrees with your request?

Ms. TUTTLE. That is correct.

Senator FORD. If he disagrees, you may try to negotiate, but the Secretary finally decides on the amount that the Department will request of OMB, is that correct?

Ms. TUTTLE. That is correct.

Senator FORD. OMB then can agree to the requested amount or cut it.

Ms. TUTTLE. That is correct.

Senator FORD. If it cuts, if it cuts the amount, USTTA may, if the Secretary of Commerce agrees, prepare an appeal to OMB.

Ms. TUTTLE. That is correct.

Senator FORD. Now, with respect to OMB's decision to rescind $4 million of fiscal year 1985's budget and to cut USTTA's fiscal 1986 budget to $4 million and terminate the agency, I have been told the Secretary of Commerce would not allow USTTA to file an appeal to OMB. Is my information correct?

Ms. TUTTLE. No, that is not true. We did appeal.

Senator FORD. You did appeal?

Ms. TUTTLE. We did.

Senator FORD. When did you appeal?

Ms. TUTTLE. We appealed twice the first time being——

Senator FORD. So the Secretary did allow you to appeal to OMB?

Ms. TUTTLE. Yes, absolutely.

Senator FORD. Did you appeal without his blessing or without recommendation?

Ms. TUTTLE. We appealed with his blessing. In fact, he is the one who appealed for us.

Senator FORD. All right. The Secretary of Commerce then did appeal?

Ms. TUTTLE. Absolutely, yes, he did.

Senator FORD. Now, the President has divided the Cabinet into various groups to decide on budget cuts, and the Secretary of Commerce and Mr. Stockman serve on the little group concerned with budget cuts within the Department of Commerce. And this committee agreed with the termination of USTTA, is that correct?

Ms. TUTTLE. The committee within the Cabinet, is that what you are talking about, the subcommittee?

Senator FORD. Yes.

Ms. TUTTLE. I really do not know the details of that.

Senator FORD. That is fine. They almost had to agree to it.

Ms. TUTTLE. I know that, as it is for all of us, the situation was that the Secretary was absolutely behind the President's decision to cut Federal spending, and it was a difficult decision, but he did believe in USTTA. He did appeal, but seeing that this was a question of the Federal spending, we lost the appeal and that is how it was.

Senator FORD. It is a little bit disconcerting to me. We have to be very careful that we do not allow an agency or an individual to be judge and jury, and apparently that is where the Secretary of Commerce found himself, as judge and jury.

He not only let you appeal or appealed for you to OMB, he actually sat on the committee, the subcommittee of the Cabinet at the White House, which agreed to the termination.

Ms. TUTTLE. I think he was serving in different roles. I think when he sat on that Cabinet-level committee they were talking about Federal deficits and they were talking about cutting Government spending. I do not know whether they actually got down to the actual agency of USTTA.

When he went to OMB and appealed, he was talking about travel and tourism.

Senator FORD. Mr. Chairman, I believe that is all I have.

I appreciate your frank answers. It helps to clear up some of the things. It is now part of the record, and Secretary Baldrige is on record according to your statement of appealing the cut of USTTA to Mr. Stockman. I wonder how he found the darkroom in which Mr. Stockman stays, but I would hope that he would tell some of the rest of us, because, you know, they keep him in a darkroom and he conjures up all these things. They open the door and there is daylight and he rushes out.

So I am glad to know that at least the Secretary of Commerce can get to him.

I thank you, Mr. Chairman.

Senator PRESSLER. Well, I would just add a footnote to what you said, that the bill creating the Under Secretary of Tourism, we passed it with much help from your side. Indeed, it was originally drafted, I think, by Senator Inouye. But I happened to be on the trigger as chairman of the subcommittee, so I sponsored it in the Senate. It was signed by President Reagan, and it was cosponsored, I believe, by Senator Laxalt and many others.

This would effectively, as I understand it, destroy that Under Secretary. What we had in mind—now, the total budget of the Department of Commerce is $2.13 billion—was to give a higher priority to tourism in the Commerce Department. And it would seem that this flies in the face of that historically, because that has only been—that was one of the first bills—not one of the first bills the President signed, but it was the first bill to pass the Senate in 1981. And this would effectively undo that, I believe, as I understand it.

Senator Gore.

Senator GORE. Thank you, Mr. Chairman.

Secretary Tuttle, as one of the administration's justifications for terminating this office, you state that State and local governments have been "increasing their efforts in the international tourism marketplace." I note, however, that in the February 26 edition of the Wall Street Journal, there is a quote from a State tourism director in Nevada saying: "It is absolutely insane to expect anybody but the Federal Government to have a major presence in the foreign market."

And by way of bearing out what he says, I would call your attention to the industry statistics for the most recent years, and these are compiled from the publication of the U.S. Travel Data Center. I am sure you are familiar with this.

In the 1982–83 year, there were 29 States spending $3.5 million on international Tourism promotion. For fiscal year 1984 through 1985, there was a decline in that from 29 States to 19 States, and the total budget for foreign promotion for all of the States went down from $3.5 million to $1.4 million.

I will put into the record at the appropriate point an appendix which lists all of the 19 States and the amounts spent. But that seems to be in direct conflict with your statement that State and local governments are increasing their efforts in the international tourism marketplace, does it not?

Ms. TUTTLE. Well, I can only tell you that participation at trade shows has gone up. We have started a new activity called a road show in Germany that States and cities had never participated in before. It has gone on for 2 years now and that participation has

grown. I would have to look at the figures, but we think the activity from States and cities has increased.

Senator GORE. It would appear from the figures, the dollars and cents figures, that it has been cut in half over the last couple of years. So if you want to comment further on that for the record, I would invite you to do so, because this is one of the principal justifications that the administration offers and it may just not have any merit at all.

Now, this morning we will hear testimony that, after discussions with OMB, the industry made a good faith effort to form a public-private partnership by developing an international marketing plan that would have cost the Government a half a million dollars to develop, and that the Government's reply was unresponsive, particularly in view of its decision to terminate USTTA.

In the event that Congress decides to continue the agency, do you intend to sit down with the industry's marketing committee and seriously discuss whether you should enter into the kind of public-private partnership recommended by the international marketing plan?

Ms. TUTTLE. I have been continually sitting with that committee almost since I received it, and especially over the last 6 months. I recently met with a small group of that committee about 2 weeks ago, and the kind of public-private partnership that it talks about doing I think that we have made a very good start already in the marketplace. So if the agency did continue, we would continue just exactly the programs we have been working on.

Senator GORE. Well, I realize you have tried to implement some of the recommendations, but the industry's testimony indicates that it is not satisfied that you have given serious consideration to the major aspects of the plan. Understand, I am not endorsing the industry plan. I am just trying to find out whether we can expect to see the kind of public-private partnership that I think most people believe would be in the country's best interest.

Ms. TUTTLE. I can only say that I am unfamiliar with the dissatisfaction that they have, and perhaps it would help if I knew more about that directly from the industry.

Senator GORE. All right. Well, that is fair enough, and I am sure they are listening carefully to that and we will have a three-way conversation about it.

In view of the economic statistics that we all know so well, would you not agree that USTTA's activities overall will help reduce the deficit rather than increase it?

Ms. TUTTLE. Well, I think that the activities at USTTA have been beneficial in the overseas marketplace. I think that the number one top priority of this administration is to cut the Federal spending, and that is why I have this budget before you today.

Senator GORE. Yes, but the deficit results from both the spending and revenues and the interaction of the two. Would you agree that the revenues produced by USTTA's activities are larger than the money spent on it?

Ms. TUTTLE. The revenues are absolutely larger than what is spent. And again, I think that tourism promotion would be taken up by the International Trade Administration, within the Commerce Department.

Senator GORE. It would what?

Ms. TUTTLE. Tourism promotional activities would be taken up by the International Trade Administration within the Commerce Department.

Senator GORE. Well, that is not clear, but that is sort of the nub of the conflict between the administration and the Congress.

You know, there are over 125 countries who believe that national tourism promotion offices are essential to marketing their respective countries. Do you think they are all wrong?

Ms. TUTTLE. No, I do not. I think that there are some reasons for that, though. In some of those countries, tourism is the No. 1 economic generator. We are a fortunate country in that obviously we have a large number of exports that produce good revenues.

Senator GORE. It is only No. 3 here, so it is different, is that it?

Ms. TUTTLE. No, it is not that different.

No. 2 is that we also have a very strong industry that goes out and promotes, and some countries are not fortunate to have the kind of industry that we have.

And No. 3, I would agree that one of the probable reasons that we have not put enough attention on tourism is that it is really not recognized as an export item. And it is a problem that not only persists within this country, but it is worldwide.

Senator GORE. I see. So maybe some other folks in the Administration don't clearly understand its contribution.

Ms. TUTTLE. I think a lot of people need to look at tourism and the service industries, and I'm really referring to all countries and beyond the administration.

Senator GORE. I understand that USTTA has recently begun contacting U.S. travel-related firms and solicitig cooperative funds for the advertising campaign in Germany. Is that right?

Ms. TUTTLE. That's right.

Senator GORE. When will this advertising campaign begin?

Ms. TUTTLE. The actual media campaign begins in September 1985, this year, and runs through the spring of 1986. And part of the industry's plan was to support and form a public private partnership, and this is the initial program that we are doing in Germany now.

Senator GORE. I see. But by that time you will be going out of business.

Ms. TUTTLE. The actual buying of the space and the forming of the partnerships takes place now until about June. The buying of the media and the program will be in place by September.

Senator GORE. All of the followup work, where is the focus for that?

Ms. TUTTLE. In terms of the followup, a couple of things would happen. No. 1, if we did close the agency, Germany obviously would be the last office that I would close because indeed it does have this program going on. And No. 2, we would have to—get industry to pick up the followup that would be needed for that program.

Senator GORE. What was the last part of that?

Ms. TUTTLE. We would have to develop a transition where industry would be picking up the followup for that program.

Senator GORE. I don't know how realistic it is to expect the industry to participate if you are proposing to terminate the office. That is going to kind of put a damper on their enthusiasm, isn't it?

Ms. TUTTLE. It is not exactly how I would have liked to have run the program. But considering that we are closing the agency, there is more of an awareness by industry, more than ever before, to work together. And indeed the reason why we are doing all of this is because industry has initiated the idea of selling America together.

Senator GORE. Well, I understand you are in some ways in an awkward position. I think you have handled yourself very gracefully and I appreciate your responses to my questions.

I disagree strongly with the views that you are presenting here, and I hope that the Congress as a whole will overrule the recommendations of the administration, and I will certainly be working toward that end.

Thank you, Mr. Chairman.

Mr. Chairman, I have some questions that Senator Inouye wanted to be asked, and I would like to—I think in view of the time, Mr. Chairman—well, let me just ask a couple of them and we will see where we stand on the time.

The law requires that Interagency Coordinating Council coordinate the policies and programs of Government agencies and assist in resolving interagency conflicts. Everyone I believe—and this is Senator Inouye speaking here—would agree that terminating USTTA and the Department of the Treasury's three-martini-lunch proposal are policies and proposals which conflict with the law that directs USTTA to promote tourism.

In an effort to find out how USTTA carried out its particular responsibility to coordinate under this law, Senator Inouye wrote to the USTTA asking what it had done in this regard. The reply said in effect that the agency had done nothing with respect to the Interagency Coordinating Council.

The point is that the agency has so far failed to act, and even if it subsequently does so, it will be like locking the barn door after the horse has gone. Moreover, under the law, the Coordinating Council is not supposed to wait for referrals or recommendations from the Industry Advisory Board before acting. That is another and separate requirement.

The question is this: Is the law unclear or otherwise deficient in what it expects USTTA to do? And if not, why hasn't USTTA exercised its responsibilities under the law?

Ms. TUTTLE. The law is not unclear. It is very clear what we are supposed to do. I take exception with the fact that both replies were insufficient. Our first reply to Senator Inouye, I guess it was not clear, so we sent a second reply to make clear that indeed this subject would be taken up in front of the Tourism Policy Council.

At the time the letter came, I think it was right before our Tourism Policy Council meeting and the agenda had already been set. It is going to be on the agenda of the Tourism Policy Council at the next meeting which is scheduled in April, and I realize that this is a very critical issue to the industry. I have had numerous conversations with industry leaders about it, and it is something that we will be taking up with the appropriate agencies.

Senator GORE. I am advised that in the opinion of Senator Inouye, the second letter is not viewed as responsive either. But I would like to continue with these questions in written form if you would be willing to respond to these for the record. We will follow up. And I want to assure you that I have a great deal of personal concern and along with Senator Inouye, I will be following this very closely.

If you could respond to these for the record, I would appreciate it.

Ms. TUTTLE. Absolutely.

Senator GORE. Thank you, Mr. Chairman.

Senator PRESSLER. Thank you very much.

You might want to submit this for the record. I was handed a note saying I understand that the rescission request which has held up the opening of your new offices does not take effect unless the Congress approves the request within a 45-day period.

I believe that the time period expires next week. By your earlier response, may I assume that the offices may be opening within the next few weeks?

Senator GORE. That is 45 legislative days, isn't it, Mr. Chairman? It is not only days in which Congress is in session, but legislative days. If the calendar is rolled over, I mean a single legislative day can mean several days.

Senator PRESSLER. Well, I guess that answers the question. You are correct.

Are there further questions from any member of the minority or majority?

If not, we thank you for your testimony.

Ms. TUTTLE. Thank you.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR INOUYE AND THE ANSWERS

Question. I understand that USTTA has recently begun contacting U.S. travel related firms, and soliciting co-operative funds for USTTA's advertising campaign in Germany.

Is this an appropriate time of the year to solicit advertising funds for use this year from private firms? It would seem to me that most companies have already allocated their advertising budgets for this year.

Answer. Generally, private sector travel industry firms plan promotional activities further in advance than the USTTA cooperative advertising program for Germany has allowed. The private sector does, however, have flexibility to reallocate program funding for advertising within country by country promotional budgets. Optimally, USTTA's plans for such a major promotional effort would coincide with corporate budget cycles. This would permit the allocation of specific funds for cooperative efforts during the budget planning period rather than having to change planned promotions to free committed funds.

The net effect of less than ideal lead time, in the case of Germany, is likely to be that fewer private sector firms will commit to the cooperative program than would with greater lead time. Nevertheless, given such a large pool of potential contributors, we expect that the aggregate participation will effectuate a successful program. Unfortunately, state and local government participants will feel more severely constrained by the timing. The less flexible decision-making process and longer-term mechanisms which characterize public sector entities are likely to minimize the amount of state and local contributions to the cooperative advertising program.

Question. As I understand it, many travel agents, airlines, tour operators, etc. in the countries where USTTA has offices have invested their time and money to cooperate with USTTA in selling the U.S. What kind of a signal does the administra-

tion's proposal send them? Is it likely they will make further efforts and investments to concentrate on the U.S. market?

Answer. U.S. travel industry representatives promoting out-bound travel in the markets where USTTA has offices will be shocked by the Administration's proposal to close down USTTA. These front line promoters of travel to the U.S. and their foreign counterparts involved in promoting travel to the U.S. have long had a far better understanding of the federal government's competitive role in the marketplace than many U.S. based travel industry operatives who have defended USTTA's underfunded, but crucial leadership role in public/private partnership projects for U.S. tourism promotion in these markets.

The signal sent by the Administration is clearly confusing, and in direct conflict with the Administration's continued public advocacy of public/private cooperative efforts to stimulate the U.S. economy. The private sector clearly understands that the criteria for expanding efforts in any export markets is based on the potential for further export revenue generation and not historic measures of market strength. They also understand that handicapping the successful and relatively strong U.S. travel industry, by withdrawing the catalyst for public/private cooperation, will not improve the performance of our other export sectors.

Of course, the private sector in overseas markets will continue to promote their own U.S. tourism products and services, as they always have, whether or not the federal government funds USTTA. Cooperative efforts to promote the entire United States as a destination, however, will likely cease. Without USTTA's initiative, it is not reasonable to expect competing companies to cooperatively implement international marketing programs. Without neutrality of federal leadership, the private sector fears potential anti-trust problems and possible advantages for certain corporations in an unregulated cooperative marketing program scenario.

Senator PRESSLER. I shall now call—perhaps we could call a panel of Bill Toohey, a great friend and champion of tourism, president, Travel Industry Association of America, testifing on behalf of the Travel and Tourism Government Affairs Council; Mr. John Graff, executive director, International Association of Amusement Parks and Attractions, testifying on behalf of the Travel and Tourism Government Affairs Council—I might say that John Graff is a South Dakotan by birth and still is one, I hope; and also Mr. Cord D. Hansen-Sturm, vice president, First Family of Travel, testifying on behalf of the U.S. Tour Operators Association.

So we shall first call upon the first volunteer, or should we call on the South Dakotan first? I see there is general agreement we should call on John Graff because of where he was born.

STATEMENTS OF WILLIAM D. TOOHEY, PRESIDENT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA, TESTIFYING ON BEHALF OF THE TRAVEL AND TOURISM GOVERNMENT AFFAIRS COUNCIL; JOHN GRAFF, EXECUTIVE DIRECTOR, INTERNATIONAL ASSOCIATION OF AMUSEMENT PARKS AND ATTRACTIONS; AND CORD D. HANSEN-STURM, VICE PRESIDENT, FIRST FAMILY OF TRAVEL, TESTIFYING ON BEHALF OF U.S. TOUR OPERATORS ASSOCIATION

Mr. GRAFF. Thank you, Mr. Chairman.

If I might, with permission of the committee, I would like to start with a personal note, personal in the sense that it is not something that I have sought nor been given the concurrence of the Travel and Tourism Policy Council. It is, however, a sentiment that I feel that most if not all of the people on the council, who serve with me on the council, would concur.

Senator Gore made a statement that I would concur with. I regret and am very sympathetic with the position that Secretary Tuttle finds herself in with respect to this issue and believe and

suggest that it was no doubt a very difficult and painful decision for her is no way to suggest that it is an insincere one on her part.

Secretary Tuttle has demonstrated great integrity while in office, and I am sure that she has concluded, regretfully, that the decision of the administration which she has supported here is an unfortunate but necessary step in view of the enormously complex and important budgetary problems confronting the country.

We do not agree with the conclusion that we ought to acknowledge with thanks the truly outstanding job that Ms. Tuttle has done during her time in this office. The real tragedy in this is that if the administration proposal succeeds, some very excellent and even extraordinary initiatives begun by Ms. Tuttle and her staff will not be allowed to come to fruition.

We in the industry will do all that we can to prevent that, but we are indebted to her and to her staff for this remarkable beginning that she has made.

Mr. Chairman, on behalf of the Travel and Tourism Council, I am pleased to present the following testimony along with William D. Toohey, the president of the Travel Industry Association of America and the vice chairman of our council.

As a coalition of 29 major travel and tourism trade organizations, the council would like to thank the subcommittee for granting us this opportunity to advocate USTTA funding as proposed in S. 374 and S. 193. We have submitted our full written testimony in support of analysis on how international visitation inures to the benefit of our national economy on both Federal and State levels in terms of export receipts, tax revenues, and employment generation.

We are grateful that the subcommittee has recognized travel and tourism's contribution to the U.S. economy in past years. The farsighted efforts of Chairman Pressler and this subcommittee supported by enlightened members of the Appropriations Committee secured a $12 million funding level for USTTA for the past 2 years, reversing a 6-year trend in continuous funding reductions.

This funding enabled USTTA to initiate a national marketing campaign which facilitates the efforts of States and cities to promote in overseas markets. The force of collective overseas promotion dependent upon USTTA's synergistic role, far surpasses the small inroads which States and cities can effectuate individually.

As Randall A. Wagner, chairman of the National Council of State Travel Directors recently explained at the National Governors Conference—and I quote him:

> Because the States depend so heavily on this agency as they carry out their own international programs, we ask your help in communicating to the administration and to the Congress that the U.S. Travel and Tourism Administration is important to State tourism offices and that its programs should be continued.

In this regard, Mr. Chairman, I might add parenthetically that I would call your attention to the material in our full statement submitted to the committee that reveals that South Dakota currently gets about 108,000 foreign visitors a year, but that any increase in this amount will almost certainly have to be aided by an aggressive USTTA program.

The first effort is aimed at Germany if you will note, where there is, as I reported last year, an extraordinarily high interest in Western America and in the culture of Western America, so that I

feel among many other areas of the country, that our mutual home State of South Dakota stands to benefit enormously if we keep these programs going.

Furthermore, increased funding for USTTA is clearly in the national interest from employment-generating, revenue-enhancing, and trade policy points of view. In 1983, tourism generated nearly $14 billion in Federal tax revenues. Over three-quarters of a billion dollars came from international visitor consumption.

Our industry added 246,000 new jobs representing 43 percent of all new jobs created in the United States that year. And I think it is of the utmost importance that this fact be made known at a time when unemployment is such a concern, and particularly unemployment among young people which our industry hires in great numbers.

Export earnings total $14.4 billion which accounts for all of the food, lodging, transportation, and entertainment U.S. businesses provide for foreign visitors during their stay here. Among fast-growing tradable services, the tourism product contributes the largest share of international export receipts.

The significant amounts of agriculture and manufactured products consumed by international visitors in retail outlets throughout the United States demonstrates the versatility of the tourism product as many exports rolled into one.

In effect, the international travel and tourism industry is a practical distribution network for so many U.S. products and services. The real benefits extend far beyond hotels and restaurants to U.S. wholesalers, producers, farmers, and manufacturers.

In essence, travel and tourism sells all of the goods and services America has to offer. USTTA promotion of our States and cities enhances the viability of hundreds of thousands of small businesses across the United States who facilitate the sales of these goods and services.

Given that tourism is second only to chemicals in terms of export receipts generated by all trade industries and by far the largest U.S. export earner among tradable services, we should find it unthinkable that our industry would not be considered as an integral part of any emerging export strategies.

Yet, this administration has proposed closing down USTTA in its recommended budget for fiscal year 1986. Since the early 1970's when this subcommittee warned our industry that we must educate the Government on the importance of tourism to the national economy, we collectively worked to enlighten the Government on the relatively small but critical and catalytic role that USTTA must play in the global tourism marketplace.

The industry enthusiastically participated in the 5-year national tourism policy study undertaken by this committee and actively supported the efforts of Senator Pressler, Senator Inouye, Senator Warner, Senator Sasser, and other Senate leaders to pass the National Tourism Policy Act.

USTTA, the designated principal instrument for implementation of this act and the stimulus for effective international tourism promotion, is now fighting for existence against the recommendation of the Office of Management and Budget.

Mr. TOOHEY. Mr. Chairman, in response to suggestive discussion with OMB in 1983, the Travel Industry Association of America organized an International Marketing Plan Committee to develop a comprehensive marketing plan to guide USTTA's promotional efforts.

The committee, comprised of top international marketing executives from all segments of the U.S. travel and tourism industry, was the result of an unprecedented private sector initiative to collectively become involved in improving the U.S. competitive position in international tourism trade. Particular emphasis was placed on heightened competition between governments for international visitors, the historic and projected performance of the United States in global tourism trade, and possible strategies to restore the U.S. competitive position in the world market.

The committee devoted a full year to examining the international tourism market, and no effort was too great for the undertaking. Task forces of the committee circled the globe, analyzed seven key markets in terms of U.S. promotional penetration.

These privately financed services would have cost the Government an estimated $500,000 or more in the time and resources dedicated by these top industry executives to conceiving and completing this plan.

The executive branch responded earlier this year with a proposal to reduce USTTA's budget phasing out USTTA by the end of fiscal year 1986. This recommendation is clearly unresponsive to our industry's good-faith effort to form a public/private sector partnership to renew competitiveness in world tourism trade.

The council recognizes the subcommittee's commitment to fiscal constraints at this time when the economic health of the Nation depends upon the reduction of the burdensome national deficit.

It is equally evident, however, that this subcommittee recognizes that in light of the 1984 trade deficit which exceeded $123 billion in 1984, the returns on investment in international travel promotion supports a deficit reduction mandate. Both S. 364, recommending a USTTA fiscal year 1986 authorization of $15 million, and S. 193 proposing authorizations of $14.5, $15.5, and $16.5 million for fiscal years 1986, 1987, and 1988, respectively, would enable USTTA to move the United States toward a more competitive position in the world tourism marketplace.

While S. 193 would authorize less money for USTTA, the concept of multiyear funding has considerable merit. It has merit now as it did when Chairman Pressler made a similar recommendation in 1983. Both proposals reasonably ensure USTTA's leadership in competitively marketing our States and our cities overseas.

Optimally, S. 374 should be fully supported and extended to include a 3-year authorization. Please note that the proposed $15 million authorization would appropriate only about one-half of the average Government expenditure on tourism in the last 4 years of the 1970's.

Reasonable funding levels of USTTA as proposed in S. 374 and S. 193 will enable the United States to establish an effective promotional presence in the global market. Reasonable funding for this valuable agency is also part of a rational spending policy which will ultimately prove instrumental in deficit reduction.

The travel and tourism industry is eager to continue a cooperative association with USTTA to increase the inflow of tourism dollars. These dollars in the form of tax revenues and export receipts will help the administration and the Congress to augment Federal revenues through productive economic stimulation.

I would like to conclude my comments, Mr. Chairman, by standing in concurrence and personal support of the opening statement of John Graff regarding the efforts of Under Secretary Tuttle. She is a dedicated and effective person, and I understand the very difficult situation her testimony today must have created for her.

Thank you, Mr. Chairman.

[The attachments referred to follow:]

APPENDIX

Top ten exports—1983

[In billions of dollars]

Rank export category	*Receipts*
1. Chemicals and allied products (petrochemicals, industrial organic chemicals, gum and wood chemicals, etc.)	$19.43
2. Tourism (passenger fares, lodging, food, etc.)	14.36
3. Other transportation services (shipment of goods, etc.)	13.48
4. Interest, dividends and earnings of unincorporated affiliates related to U.S. assets abroad	12.71
5. Transfers under U.S. military agency sales contracts	12.66
6. Aerospace—civilian (civil aircraft engines and parts, nonmilitary turbines and parts, etc.)	12.03
7. Advertising billings	11.00
8. Computing and office equipment	10.79
9. Reinvested earnings of incorporated affiliates related to U.S. assets abroad	9.46
10. Other private services	7.28

Source: U.S. Department of Commerce, Bureau of Industrial Economics "1984 U.S. Industrial Outlook", Bureau of the Census "U.S. Exports", Bureau of Economic Analysis "Survey of Current Business."

Importance of foreign tourism to State economies, 1983

Level of foreign visitor receipts:	*States*
$2.5 billion or more	2
$1 billion or more	5
$200 million or more	11
$100 million or more	17
$50 million or more	30
$10 million or more	46

1983 INTERNATIONAL TOURISM RECEIPTS TOP 10 STATES

[Dollar amounts in billions]

	Increase	
	Amount	Percent
Florida	$2.65	19
California	2.63	19
New York	1.57	11
Hawaii	1.17	9
Texas	1.11	8
Arizona	.35	3
Nevada	.31	2
Washington, DC	.29	2
Massachusetts	.27	2
Illinois	.23	2

IMPACT OF INTERNATIONAL TOURISM ON THE U.S. ECONOMY—1983

312,800 Americans employed as result of foreign visitor spending.
One job per $41,900 in receipts.
One job per 37 overseas visitors.

Importance of foreign tourism to State economics, 1983

Level of foreign tourism—generated employment:	*States*
60,000 jobs or more	2
20,000 jobs or more	5
5,000 jobs or more	12
1,000 jobs or more	36

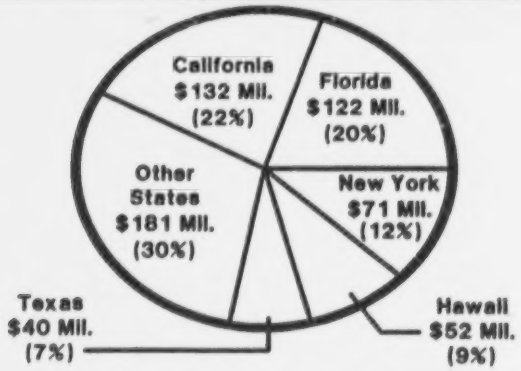
Impact of international tourism on the U.S. economy—1983

Tax revenues generated by foreign visitor spending:	*Millions*
Federal (6.5¢/$1 receipts)	$854
State (4.6¢/$1 receipts)	599
Local (1.5¢/$1 receipts)	203
Total (12.6¢/$1 receipts)	1,656

Importance of foreign tourism to State economies, 1983

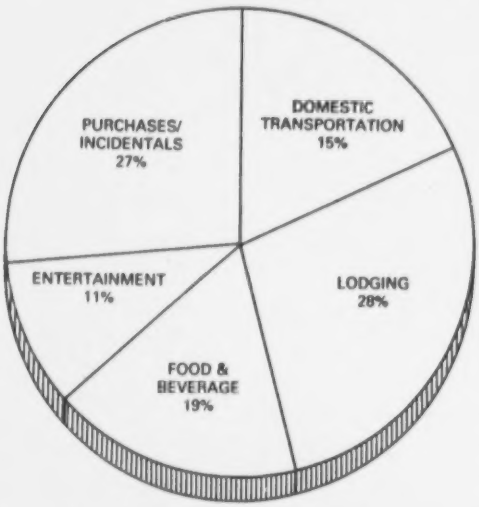
Level of foreign tourism—Generated State tax receipts:	*States*
$100 million or more	2
$50 million of more	4
$10 million of more	11
$1 million or more	36

STATE TAX REVENUES GENERATED BY FOREIGN VISITOR SPENDING, 1983

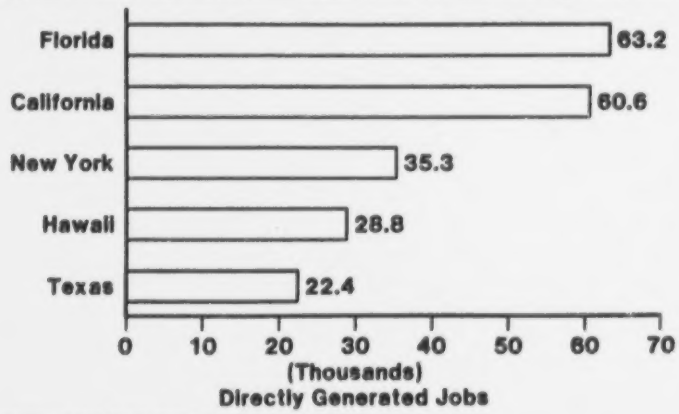


Total State Tax Receipts: $599 Million

1983 DISTRIBUTION OF FOREIGN VISITOR EXPENDITURES



FOREIGN TOURISM - GENERATED EMPLOYMENT IN SELECTED U.S. STATES - 1983



Source: United States Travel and Tourism Administration

Mr. HANSEN-STURM. Mr. Chairman, my name is Cord Hansen-Sturm. Thank you for the opportunity to testify on behalf of the U.S. Tour Operators Association about the need to continue to fund the U.S. Travel and Tourism Administration.

At levels proposed in Senate authorization bills S. 193 and S. 374, we support a 3-year authorization with an initial funding of $15 million in 1986. My written statement, which I will briefly summarize, concentrates on the international policy role of the U.S. Travel and Tourism Administration to formulate and guide a comprehensive national tourism strategy for the United States.

It seems incredible that we are pleading today for the very survival of a foreign policy institution so desperately needed, and that we are talking about a subsistence level budget instead of an optimum budget that would best promote America's interests at home and abroad.

The World Tourism Organization is to meet in the United States this spring under the chair of the Under Secretary for Travel and Tourism. What signal is America sending to the world if that Under Secretary has been budgeted out of existence the following year?

A fundamental foreign policy principle is at stake in these budget hearings. Democratic, open societies create and nurture peaceful ties primarily by depending on the economic and cultural example that they set for others in a free flow of people and ideas across open borders. America's stategy has always been to win the peace rather than to dominate by war.

The proposed budget for 1986, however, would eliminate America's principal policy apparatus for promoting the international travel flows that comprise the strongest threads in the fabric of peace. The same budget will substantially increase expenditures on military and propaganda activities.

In the present dark mood of assertive deterrence, some travel flows are actually being interfered with as economic and political weapons. In fact, we are the only democratic nation whose foreign travel policy in 1986 will probably emphasize travel restriction over travel promotion.

For a democracy, this is a form of suicide. The national security idea behind large and free international travel flows and other forms of direct communication is that they keep many channels open to the outside world to inform the nation so that inevitable disagreements among rival countries and alliances do not escalate to war.

The foreign policy idea is to engage friend and foe alike in a web of relationships that promote the mutual peaceful advantage of all. Travel and tourism policies are especially vulnerable in the present budget-cutting national mood, because the role of governments in promoting travel flows is still widely misunderstood.

It is naive to believe that tourism is something inconsequential that people do only at play and to believe that the rest of the world will get big government out of tourism just because the U.S. Government thinks it is a good idea.

A false assumption of the budget cutters is that U.S. travel companies will grow stronger as Government assistance becomes weaker. Without the Federal Government providing a policy bridge

between our deregulated domestic travel market and the regulated world travel market, we are letting our companies do battle with nation states.

We are inviting continued loss of world market share. Unilateral deregulation is like unilateral disarmament. Tourism's economic value to American traditional jobs and income terms is simply mind-boggling, as everyone here has said.

However, the principal economic output of the travel activity is information. Information is the principal input to our information-based economy. We should adopt Japan's motto of export or die, and add a corollary: Travel and thrive.

The National Tourism Policy Act emphasizes the typical national tourist office role to promote the leisure travel of foreigners to the United States. Even the small current USTTA marketing contribution leads to multifold increases in travel service exports by the private sector. The USTTA more than pays its way.

The act also provides an adequate basis for the Under Secretary of Travel and Tourism to deal with other aspects of the international travel phenomenon. A good example is the support Secretary Tuttle expressed and her predecessors have given to urgently needed freestanding visa waiver legislation.

For example, until this year, there was no U.S. policy toward the operation of foreign national tourist offices on U.S. soil, although they spent about $150 million here in 1983, roughly the same amount that State tourist offices and city tourist offices each spent to influence U.S. travel decisions. Without the close USTTA link with the private sector, the State Department and other interested agencies would not have identified a problem, much less begun to formulate a response to the unfair and sometimes illegal commercial activities of some governments through their tax-free national tourist office representations.

The United States is trying to negotiate a reduction in barriers to services trade in the OECD and the GATT, and travel is the giant of services trade. Only the USTTA stands astride the travel process with the connections with private enterprise and Congress to make this a serious negotiation.

Tourism is an engine of development that is still unharnessed by U.S. foreign policy because the USTTA is so underfunded that its policy specialists cannot spread themselves thin on other countries' development problems without ignoring our own.

To summarize, the travel infrastructure supports all foreign policy and foreign trade activities that require human contact. The international travel activity is critical to America's welfare and survival, and there is only one agency in Washington with the mandate, the expertise, the business contacts, and the necessary congressional oversight to describe and deal with the process of international travel flows.

The USTOA seeks an open borders tourism policy for the United States in which equal value is given to the principles of free trade and free information flows, and outbound travel is recognized as important to the economic, cultural, and political health of the Nation, as is inbound travel.

We strongly support a well-funded and well-balanced USTTA as an essential institutional ingredient in the formulation of the com-

prehensive tourism stragegy anticipated by Congress in the National Tourism Policy Act.

Thank you.

[The statement follows:]

STATEMENT OF CORD D. HANSEN-STURM, VICE PRESIDENT, FIRST FAMILY OF TRAVEL

Mr. Chairman, members of the committee, thank you for the opportunity to testify on behalf of the United States Tour Operators Association about the need to continue to fund the United States Travel and Tourism Administration at levels proposed in Senate authorization bills S. 193 and S. 374. We support a 3-year authorization with an initial funding of $15 million in 1986.

This testimony concentrates on the international policy role of the United States Travel and Tourism Administration which was created in 1981 by the National Tourism Policy Act to formulate and guide a comprehensive national tourism strategy for the United States. It seems incredible that we are pleading today for the very survival of a foreign policy institution so desperately needed, and that we are talking about a subsistence level budget instead of an optimum budget that would best promote America's interests at home and abroad.

A fundamental foreign policy principle is at stake in these budget hearings. Whereas totalitarian countries forge empires with gunboats and propaganda, democratic open societies create and nurture peaceful ties primarily by depending on the economic and cultural example that they set for others in a free flow of people and ideas across open borders. America's strategy has always been to win the peace rather than to dominate by war. The proposed budget for 1986 would, however, eliminate America's principal policy apparatus for promoting the international travel flows that comprise the strongest threads in the fabric of peace. The same budget would increase expenditures on military and propaganda activities.

At whatever level of expenditure a democratic nation can afford to conduct its foreign affairs, a reasonable balance must be struck between the military and information activities provided by government, and the political, cultural, and economic communication by private citizens and private enterprise. Democracies project themselves through people-to-people communication. However, in the present dark mood of assertive deterrence, some travel flows are actually being interfered with as economic and political weapons.

If we are not careful, the military balance of power perspective will dominate foreign policy to the exclusion of other equally valid bases for policy. Undue emphasis on denying a potential military opponent advantages in an ongoing war of ideas and economics while the nation arms in order to prevent armed conflict, could drive out essential policies to engage friend and foe alike in a web of relationships that promote the mutual peace advantage of all. The national security idea behind large international travel flows and other forms of direct communication is that they keep channels open to the outside world to inform the nation so that inevitable disagreements among rival countries and alliances do not escalate to war.

Travel and tourism policies are especially vulnerable because the role of governments in promoting travel flows is still widely misunderstood. It is naive to believe that tourism is something inconsequential that people do at play, and to believe that the rest of the world will "get big government out of tourism" just because the U.S. Government thinks it is a good idea.

Tourism, unfortunately, has a double meaning—and every dictionary in America defines it as a leisure activity, something that people do at play with discretionary income. The scientific definition of tourism as all temporary travel flows for work and play, just hasn't penetrated the popular consciousness including the brains of foreign policy budget cutters. International travel is politically, economically, and culturally essential for the survival of the United States as the world's leading post-industrial democracy, yet policymakers still think of it as a low policy recreation residual.

Another false assumption of the budget cutters is that U.S. travel companies will grow stronger as government assistance becomes weaker, resulting in expanded U.S. international market share. However, the travel industry in most other countries is dominated by and often owned and run by governments. Increasingly, America is sending its entrepreneurs out alone to do battle with nation states, and nation states are sending government subsidized travel companies to America to exploit our huge deregulated marketplace. Without the Federal Government providing a policy bridge between our deregulated domestic travel market and the regulated

world travel market, we are inviting continued loss of the world market share. Unilateral deregulation is like unilateral disarmament.

Tourism is the most misunderstood national resource that we have. Depending on how you count travel flows to include movements of one mile or 25 miles or 100 miles from home base, the travel industry is the first, second, or third largest service industry in America in terms of income and jobs. America is a service economy with the travel industry at its very core. Tourism is the leading service export of the United States. Tourism's economic value to America in traditional jobs and income terms is simply mind-boggling to anyone who drops his prejudices and takes a look at what is really happening.

Too frequently, even progressive thinkers about tourism stop their thinking there about the economic contribution of tourism. All economic activities generate dollars and jobs as a consequence of their output which is a product or a service. People travel for two reasons, to observe reality firsthand and to communicate face to face, in person. The principal output of the travel activity is information. Information is that creative resource that enables technologically advanced countries to better utilize increasingly scarce resources of energy and matter to satisfy human wants. It is the principal input to our information based economy. The entire travel industry, not only the transportation component, provides essential information infrastructure for the United States political economy. Discretionary and non-discretionary, business and leisure travel are sub-categories of information travel. In short, tourism is a basic, infrastructure part of the United States information economy at home and abroad.

The National Tourism Policy Act emphasizes the typical National Tourist Office role to promote the leisure travel of foreigners to the United States. The United States is competing against other international travel destinations and the USTTA marketing contribution leads to multifold increases in travel service exports by the private sector. Take away the USTTA, and you will have a less competitive U.S. destination. Take it away and you destroy American jobs and travel income. The USTTA more than pays its way.

The act also provides an adequate basis for the Under Secretary of Travel and Tourism to deal with other aspects of the international travel phenomenon, not only the need to coordinate and add to the marketing efforts of private companies, cities, and states in a coherent national marketing plan.

For example, for a long time there was no U.S. policy toward the operations of foreign National Tourist Office on U.S. soil. Foreign National Tourist Organization representations in the United States spent $77 million directly through their U.S. offices in 1983 to influence the travel activities of American citizens. In addition, their headquarters' ministries purchased public relations and advertising in the United States and produced brochures and films at home that were distributed in the United States. The total foreign government travel promotion expenditure on the U.S. market was probably around $150 million, about the same amount that State Tourist Offices and city convention and visitor bureaus each spent to influence U.S. travel decisions. The USTTA has played a pioneering role in formulating a U.S. policy to keep these foreign National Tourist Office representations honest, to make sure that they stick to the generic promotion of their countries as destinations and stay clear of commercial activity. Without the close USTTA link with the private sector, the State Department and other interested agencies woud not have identified a problem much less formulated a response to the commercial activities of some governments through their tax free National Tourist Office representations.

The role of democratic capitalist governments is not only to assist private enterprise in marketing abroad, it is primarily to establish international rules that will facilitate trade and free information flows among nations. Without the USTTA, the traditional foreign trade and foreign policy organs of the United States are simply not organized adequately to look at the travel activity as a process in which people traverse our borders both ways while they conduct the nation's foreign business. The USTTA is the only government agency with the mandate to look at the entire travel trade picture and not just concern itself, for example, with one piece of the action such as bilateral civil aviation negotiations. From the USTTA perspective, for example, America's international hotel chains providing lodging and meeting places for the world's decision-makers are every bit as much essential international trade infrastructure as America's overseas airlines. The American travel agents and tour operators who book American and foreign travelers into those planes and hotels are part of that infrastructure.

The World Tourism Organization is to meet in the United States this spring under the chair of the Under Secretary for Travel and Tourism. What signal is America sending to the world if that Under Secretary has been budgeted out of ex-

istence the following year? The United States is trying to negotiate a reduction in barriers to services trade in the General Agreement for Tariffs and Trade [GATT], and travel is the giant of services trade. Only the United States Travel and Tourism Administration has the intimate grasp and connections with private enterprise and Congress to make this a serious negotiation. If the USTTA is eliminated, the budget of another U.S. agency would have to be increased in order to reinvent the tourism policy wheel.

Because the USTTA policy office at only three professionals is so understaffed, other Commerce and White House and State Department officials are primarily representing the travel industry in key international organizations such as the Tourism Committee of the OECD. But it is the USTTA tourism policy professionals who tap their travel industry contacts to formulate sensible U.S. positions. Instead of eliminating the USTTA policy function, it should be expanded so that there is greater continuity and responsibility for foreign tourism policy to the congressional oversight committees like this one.

Tourism is the same economic gold mine for developing countries as it is for the United States. Tourism is an engine of development that is still unharnessed by U.S. foreign policy because the USTTA is so underfunded that its policy specialists cannot spread themselves thin on other countries' development problems without ignoring our own. The Caribbean Basin Initiative is slogging along because the critical tourism development problem has not been adequately addressed. The United States negotiated a free trade agreement with Israel and now has an extraordinary opportunity to add to that a tourism agreement that improves on the one we have with Egypt. In both Israel and Egypt, tourism provides the great promise for immediate economic development. In both countries, the United States would like to reduce its multibillion dollar obligation for direct aid grants by increasing normal trade relationships. Mexico almost went bankrupt recently due to a debt crisis. Mexico's tourism industry helped bail the country out and put it on its feet and made a lot of American travelers happy with the bargains they received in the process at that time. We have a tourism agreement with Mexico.

Of course, we want to vastly improve inflows of foreign travelers to the United States as this is the best single way to increase the total travel and tourism economic pie. But we also want to foster sensible outbound travel policies and to sustain the overseas investments and activities of U.S. travel companies.

To summarize, travel is the largest industry in the world and the U.S. is competing for international market share. Equally important, direct person to person communication is the most effective way to communicate democratic values and to conduct capitalist business abroad. The travel infrastructure supports all foreign policy and foreign trade activities that require human contact.

The international travel activity is critical to America's welfare and survival and there is only one agency in Washington with the mandate, the expertise, the business contacts, and the necessary congressional oversight to describe and deal with the process of travel flows. Other agencies that see and understand only a piece of the action defend their turf and promote their constituencies often in ways that are not beneficial to the larger process. By standing astride the travel process, the USTTA plays a critical role in moderating excesses and formulating travel strategies that benefit the nation and other countries.

The United States Tour Operators Association seeks an Open Borders tourism policy for the United States in which equal value is given to the principles of free trade and free information flows, and outbound travel is recognized as important to the economic, cultural, and political health of the nation as is inbound travel. We strongly support a well funded and will balanced United States Travel and Tourism Administration as an essential institutional ingredient in the formulation of the comprehensive tourism strategy anticipated by the National Tourism Policy Act.

Thank you.

Senator PRESSLER. Thank you very much. Your name has to be Scandanavian.

Mr. HANSEN-STURM. It is, sir.

Senator PRESSLER. Good. Well, I have some questions for all of you. I will start out by addressing these to anyone, especially Bill and John.

The administration's principal argument in proposing to eliminate the USTTA is that the tourism industry should be responsible

for promoting itself. What is the industry's response to this argument.

You have already given part of it, since you proposed a joint activity in your marketing plan. But I will let you, for the record, respond here.

Mr. TOOHEY. Quite simply, Mr. Chairman, private industry and businesses in States and cities are each promoting their own product or their own destination. They are not able and would never have the resources or the mandate to promote the United States as a whole, competitive with the efforts of other governments.

That clearly is a Federal role, and it is unfortunate that there are still those in government who cannot perceive that distinction which seems to us in the industry to be patently clear.

Mr. GRAFF. I don't really have much to add to that, Senator Pressler, except that I might point out that I represent an industry that is perhaps typical of a great many travel and tourism-related industries in this country, and that most of my members would not ever be in a position to promote their facilities overseas.

In fact, I can think of only a couple of notable exceptions in the case of our industry. But Senator Gore has any number of amusement parks in his State which simply cannot, for a lot of reasons including limited resources, advertise overseas with the expectation that people are going to pick up and leave Europe and come to Nashville with the sole purpose of going to Opry Land or down to Silver Dollar City or whatever.

But it is vitally important to them that someone is selling Europeans and Asians and South Americans on the general notion of traveling in America and seeing all of the wonders and the excitement and the entertainments of this country.

Then we begin to benefit as those people come to America looking for outlets for recreation and entertainment.

Senator PRESSLER. Which, if any, nations are you aware of that did not spend government funds to promote their travel destinations? And in asking that, I have just been told I have to take a phone call, so I will turn this over to you to take the answer to that and ask any questions you have.

Senator GORE [presiding]. I will be very interested in the answer.

Mr. GRAFF. I do not know offhand of any that do not. Perhaps Bill does. We submitted last year and can submit again this year a list of the foreign countries and the amount that they spend on this, most of which is far in excess of what we spend.

Mr. TOOHEY. I think every country in the Western world, Mr. Chairman, spends part of its resource on promoting travel to that country. We are standing alone as far as I know in this proposal to not do so.

Senator GORE. I would like to, without objection, put into the record a listing of the funding of USTTA's counterparts worldwide. They show that the United States is already right at the bottom of the list, spending just a fraction of what countries like Czechoslovakia spend. They are right at the top of the list.

[The table follows:]

Developed nations' government funding of USSTA's counterpart worldwide (1983): Total spending by developed nations' tourism organizations

	Amount
1. Czechoslovakia	$134.8
2. Greece	69.1
3. Spain	[1] 61.1
4. Switzerland	[1] 47.4
5. Canada	39.3
6. Italy	36.5
7. Belgium	25.6
8. France	25.2
9. Germany	13.5
10. Hungary	12.8
11. Netherlands	12.3
12. United Kingdom	[1] 11.2
13. Australia	10.6
14. Finland	9.3
15. Japan	9.2
16. United States	[2] 7.6

[1] Estimated.
[2] Excludes $500,000 earmarked for Hawaii disaster relief.

Notes.—Figures in millions of U.S. Dollars. Reporting countries did not include Austria, Denmark, Sweden, Ireland and Portugal . . . all expected to rank higher than the United States.

Source: World Tourism Organization and Travel and Tourism Government Affairs Council. Affairs Council.

But other countries far smaller than the United States are spending many, many times what we do. I think we have an attitude in the United States that maybe this industry is not so important when in fact when you look at the contribution to GNP, it is tremendously important.

And the attitude that the U.S. Federal Government has no role to play here is just hard for me to understand. To argue that it is solely the responsibility of the private sector to promote the United States as a destination is a little like General Motors saying that it is not going to advertise, but it is going to leave it up to the local dealers to promote Chevrolets and Pontiacs and the other General Motors products. It just does not make sense.

Of course, they understand because they are business people, that it does make sense to advertise. We ought to understand that as well. And in view of the strong U.S. dollar, it seems to me that the travel industry needs all the help it can get to promote the United States at this particular time.

I am sure you gentlemen would agree with that.

Now, other countries regard tourism as so important that the heads of their national offices are usually cabinet or subcabinet level. So the head of USTTA would not be at a disadvantage at international conferences and negotiations, Congress made that position an Under Secretary's position, which I feel was appropriate.

But I am concerned that even if Congress overturns the administration's recommendation, she may have some difficulties on the international scene as a result of her strong support for the recommendation that this agency be terminated. Of course, she carries herself very well, and maybe that will not hamper her. But I am concerned about that.

Now, do you agree that State and local governments have been increasing their efforts in the international tourism marketplace? I

had an interchange with the Under Secretary about that. Do you agree that the State and local governments have been increasing their efforts?

Mr. TOOHEY. Well, some have, Senator. I think it is clear that efforts have been increased in inbound tourism, and there is more cooperative promotion than there has been in the past. But I also believe it is clear that the actual spending is less. There is a greater appreciation and understanding of the market and different ways of attempting to penetrate it.

From a dollar point of view, it is not increasing.

Senator GORE. Yes, it is not increasing from a dollar point of view, and even if it was, that would not necessarily mean that there is no need for USTTA, would it?

Mr. TOOHEY. No, it would not, because States are promoting the individual States and not the country as a whole. I think it is important to remember also that there are over a million small businesses in the travel and tourism industry, and 99.9-something percent of them do not have the financial resources or the budget to promote overseas.

And what is left then in saying that it is a private sector job is a dozen or so companies that are large enough to promote their products overseas. And that will not do the job for the United States.

Senator GORE. Well, let me ask you all a question about S. 193. It, of course, provides a 3-year authorization, and it seems to me that a multiyear authorization would send a clear message to the administration and the industry that Congress intends that USTTA stay in business.

Would this assurance be helpful to USTTA and the industry in terms of developing marketing strategies and plans?

Mr. TOOHEY. One of the keystones of the international marketing plan developed by senior industry executives is a private/public sector partnership. And with that kind of signal, that kind of assurance that the Congress intends to continue funding the agency, that would really facilitate, it would seem to me, the interest of the private sector in planning to get involved and stay involved in this joint effort.

When it is on a 1-year to 1-year basis that assurance is not there, and that certainly is not an inducement for the private sector companies to find it attractive to plan ahead to do this.

Senator GORE. And it makes it more of a gamble to participate in the joint effort.

Mr. TOOHEY. It really does.

Senator GORE. Would the other two witnesses like to comment?

Mr. GRAFF. I would only concur in what Bill says. I think that would be a very strong signal and a necessary one.

Mr. HANSEN-STURM. I concur with what he said and I would add that the Travel and Tourism Administration also has a policy role, and that the role of Government is not only to promote travel to the United States, it is to cut down, break down the barriers to travel flows, outbound and inbound, to the United States. And these efforts, like visa waiver legislation, like the negotiations in the GATT and the OECD take years, and it requires that a group of people, of experts, be in place for that period of time.

You have to count on them to formulate a strategy and carry it through.

Senator GORE. Yes.

Mr. Chairman, I have completed my questions.

Mr. TOOHEY. Mr. Chairman, the industry was very active in supporting the work of the Congress in establishing the National Tourism Policy Act, and participated in the ascertainment phase of that legislation leading up to passage of the law.

And one of the things that was clearly needed and voiced on a broad basis by industry itself was the coordination within Government of programs that impact on tourism. And of the three major parts of that law, one was the establishment of an Interagency Tourism Policy Council where initiatives in the public policy sector that might impact on tourism could be discussed before they actually became law or mandate.

We would ask the question: What will happen to this Travel and Tourism Government Policy Council if USTTA goes out of existence? USTTA provides the leadership in developing the agenda for its meetings and in bringing the group together, and we think that is a very critical part of the National Tourism Policy Act and should not be overlooked in this administration's initiative to dismantle the agency.

Senator GORE. Mr. Chairman, might I just conclude by saying that while you were taking that telephone call, all three witnesses said that they like S. 193 and prefer a multiyear authorization with the funding starting out with the levels that you have recommended in your legislation. And I certainly support it, and I think that with this kind of support and with the record we are building here, there is some optimism that we can overturn the recommendations of the administration.

I look forward to working with you toward that end.

Senator PRESSLER [presiding]. Well, thank you. And I have some more questions. I want to compliment you and your staff on working out the various appointments for the council and so forth. We thank you very much.

Let me ask Mr. Hansen-Sturm—and by the way, you send us a lot of good information frequently and I always appreciate getting it. Your testimony focused on the international relations aspect of tourism, and we hear a lot about spending efforts to improve international relations and so forth.

What message do you feel that our visa requirement sends to other nations, and do you believe that a visa waiver program would promote international goodwill?

Mr. HANSEN-STURM. I feel very strongly about the visa requirement situation, as I started out my career as a consul in Denmark, and back in 1963 it was ridiculous to ask Danish businessmen and Danish tourists who were coming into the United States to come into a consulate on the outskirts of town and go through a grilling by a young consular officer like myself, on whether they are going to jump ship in the United States, and whether they have adequate resources to sustain themselves in the United States, and whether they are going to overthrow the U.S. Government.

This type of requirement was archaic back in 1963; it is definitely hampering the marketing of the United States as a travel destination in 1985.

It is something that we simply have to deal with in order to promote travel flows from the developed European and Asian countries.

Senator PRESSLER. Most of people of USTTA as strictly a promotional organization. You mentioned, Mr. Hansen-Sturm, in your testimony other valuable functions that the USTTA performs. Will you discuss some important nonpromotional activities of the USTTA and speculate as to which other agencies could perform these functions effectively if we were to essentially eliminate USTTA, and you have done that to some extent already.

Do you have anything to add?

Mr. HANSEN-STURM. Yes. I think I would like to just generally comment that tourism as it is defined in literally every dictionary in the United States, emphasizes that it is a leisure recreational activity. And the scientific definition of tourism is a synonym for travel, for all travel flows that are temporary, and we forget this when we are dealing with international travel policy.

The tour operators, the U.S. Tour Operators Association, has passed an open borders tourism policy to emphasize the fact that there is outbound travel as well as inbound travel. There are two sides to the coin. And that outbound travel, by the way, provides tremendous leverage for the United States in negotiations with other countries to break down their barriers to travelers coming to the United States.

It is something that we think should constantly be kept in mind in economic policy, trade policy, and obviously for the cultural and other aspects of travel flows.

Senator PRESSLER. Now, as I mentioned earlier, I intend to hold separate hearings to examine the recommendations of the international marketing plan which industry representatives prepared for the USTTA. The findings of the plan are, however, very relevant to today's discussion, and you have mentioned them frequently.

Will you summarize the goals of the plan, the development of the plan, and the plan's recommendations as to the appropriate roles of the Government and the private sector in promoting travel and tourism? And perhaps you have done that to a large extent, but is there anything you want to add to what you have already said?

Mr. TOOHEY. In a general sense, Mr. Chairman, the mission or the objective of the International Marketing Plan Development Committee was to return the United States to a 13-percent market share of global inbound tourism. It has slipped to a little over 10 percent.

And the committee addressed itself to how that could best be accomplished over a 5-year period, spending amounts of money that are reasonably relative to what they are going to be spending now. One of the basic conclusions, as I mentioned earlier, of the recommendation, was a private sector/State, city, and Federal Government partnership to accomplish this.

Senator PRESSLER. Now, I know you sent several copies of the international marketing plan to officials in the administration. What specific responses did you receive?

Mr. TOOHEY. We received a very positive response from the Secretary of Commerce. He said upon presentation of the plan last August that to his memory, no other industry in the United States came together the way the travel and tourism industry did to make a recommendation to the Federal Government as to how it could increase the effectiveness of one of its ongoing programs.

He expressed a great deal of appreciation for what the industry had done, as did Under Secretary of Commerce, Donna Tuttle. It was also sent to the Office of Management and Budget where the initiative for this effort actually was conceived through a request from OMB that they wanted to see a plan that would be effective, that business would support. And that is what was provided to them.

That response, as I recall, was one of appreciation and thankfulness for the industry undertaking the effort.

Senator PRESSLER. What, if any, trend do you see in State and local expenditures on tourism promotion and how would you explain any trend that you see?

Mr. TOOHEY. I think that more and more public officials are becoming aware of the importance of travel and tourism as an economic generator on the State and local level.

I know that is certainly true within the National Governors' Association. As a consequence, States are becoming much more serious, generally speaking, about their travel development programs and their budgets are increasing.

Senator PRESSLER. You said that information is the main output of travel and tourism. Please expand on this point and discuss whether the informational role of tourism is likely to increase or decrease in the future.

Mr. HANSEN-STURM. Well, information is the main output of the travel activity. If you look at why people travel, they travel either to go out and observe with their own eyes something that is happening in the real world, or they choose to communicate directly as we are here.

We do not let our fingers do the walking to come down to this hearing. This factor, however, which is so strongly recorded in organizational theory in the United States, that person-to-person communication is at the very top of the information power ladder of interpersonal communication. However, economic theory, the way our Goverment and our private activities have been organized, we have failed to see that travel is the way that people move from their homes, from their offices to the other side of town, to the other city, to the other side of the world to accomplish this information business.

Now, when we think about the steel industry, we think that they produce steel. When you think about the computer industry, they produce computers. When you think about the travel industry, most people think in terms of their producing consumer satisfaction. And that is true; they are producing satisfaction.

But the economic output of the travel industry is information and we are in an information economy. Now, there is a whole new field of economics that has arisen thanks to the computer and satellite telecommunications. It is a whole new field of policy.

There is a Telecommunications and Information Agency in the United States to deal with information policy as trade policy, as economic policy on a national level. Now, today, at this point in the development of information economics, we are still preoccupied with the machines, the electronic machines that man has created to extend his sensory systems and to manipulate information, and we are not looking back at the human decisionmaker himself, the person with a brain that is using this machine.

And if you do so, if you consider that all of us here basically are in the information business, that we are information managers, and when we are going to communicate, that is, to gather or to disseminate information outside of our organizations for our organizations, whether they be States or cities or individual companies or countries, that we have a choice, that we can either write, we can either pick up a telephone and telecommunicate, or we can go in person.

And it is a fact that most organizations choose to communicate by travel, that the travel budgets of companies, of city bureacracies, of States and of national governments, are larger for the purpose of communicating than are their budgets for telecommunications and for communicating in print via the mails.

Now, this says something. This says that travel has a vital communications function in our society. If we make that assumption that this is a vital function, then some very interesting things flow from that because travel, not just transportation, but the entire travel industry including the travel agent, tour operator, the national park, the hotel, is information infrastructure for the Nation, every bit as much as the telephone lines and the mail service is information infrastructure.

Looking at travel in that way greatly enhances the economic contribution of the travel industry. It is not just the earnings of the industry, the money we take from providing the services, or the jobs that are produced, but the information flows that we facilitate that are the important contribution of the travel industry.

Senator PRESSLER. Another question that intrigues me is the level of damage, the high value of the dollar. How related—of course, you could almost make a chart in the decline of expenditures on USTTA with the decline of our percentage of the market, but maybe it is mostly due to the strength of the dollar.

Would somebody like to give some analysis of that whole problem?

Mr. TOOHEY. Mr. Chairman, it is quite true that the relative strength of the U.S. dollar today is not conducive to increased inbound tourism to the United States. It is more expensive to come here. What has happened is the numbers have leveled out, people from other countries traveling to the United States, and the number of Americans traveling abroad where the dollar has more purchasing power has substantially increased.

I think the industry believes that is a temporary economic situation, and I think it is also true that when making a sale is more difficult, you increase the intensity of your selling so that when the economic conditions change, the United States will emerge from that in a strong competitive position.

We should be promoting vigorously now, as any business would do in terms of difficulty.

Senator PRESSLER. Well, thank you very much. I appreciate you three stalwarts of the tourism and travel industry, and we thank you very much. I believe that concludes this hearing, and I want to thank you all for your presence.

Thank you.

[Whereupon, at 11:40 a.m., the hearing was adjourned.]

ADDITIONAL ARTICLES, LETTERS AND STATEMENTS

STATEMENT OF HON. JOHN WARNER, U.S. SENATOR FROM VIRGINIA

Mr. Chairman, I appreciate this opportunity to present testimony to the committee on a subject I consider extremely important to our national interest.

Of course, Mr. Chairman, I am referring to the United States Travel and Tourism Administration [USTTA], an agency which does more to promote international understanding and goodwill, a strong national economy, and an improved balance of trade than hundreds of other agencies in the federal government which spends hundreds of times USTTA's budget

Our meeting here today is getting to be like a broken record and, frankly, Mr. Chairman, I am getting a bit tired of it.

Every year since I have served in the Congress we have had to do battle with an administration which fails to realize the value of the meager investment made in the USTTA or appreciate the tremendous return that investment brings, not to mention all the other extremely by-products which come as a result of USTTA's program.

And this criticism is not leveled only at the current administration.

Congress faces the same, if not worse problems with the previous administration.

In fact, Mr. Chairman, despite its stated desire to eliminate USTTA, this administration has done more for the travel and tourism industry than any administration since the early 70's.

With all due respect to her predecessors, Secretary Tuttle has done more to promote the United States and to make the USTTA a vital, vibrant organization than all her predecessors combined.

To eliminate the USTTA at a time like this . . . a time when our balance of trade is so out of balance, a time when the need is so great to promote economic opportunity for people at all skill levels, a time when the USTTA is coming into its own with the first international marketing program in behalf of the United States since the Bicentennial and the second celebration of National Tourism Week, and the Newly found respect shown the United States by its travel destination competitors the world over . . . is both unwise and unwarranted.

Now, Mr. Chairman, before I address what I believe are the truly important justifications for continuing the USTTA, I wish to express my personal gratitude to you and to Senator Inouye and to the other members of this committee for the leadership you have shown on this issue.

Your diligence and that of Senator Inouye have truly made the difference over the years.

Together we have built the Senate Tourism Caucus into one of the largest bodies of its kind on Capitol Hill.

And while the Caucus itself does not lobby or advocate specific positions on travel and tourism issues, it certainly does everything possible to enable Senators to understand the ramifications of various proposals on the travel and tourism industry.

Thanks to your efforts, Mr. Chairman, in offering this legislation authorizing funding for USTTA in FY 86, and Senator Inouye's initiative in offering legislation authorizing funding in the out-years, Caucus members will have an opportunity to do their very best to ensure that USTTA stays alive to promote foreign travel to the United States and all the economic cultural, social and intellectual benefits that travel can bestow.

It would be my sincere hope that, as this committee proceeds, it will see fit to combine both your measure, Mr. Chairman, and that of the distinguished Senator from Hawaii into one comprehensive measure that sends a very loud and clear signal to this administration for years to come.

Tourism works for America, and USTTA does, too.

Mr. Chairman, until recently, the steady growth in the U.S. economy was attributed to the strength of domestic markets, principal driving forces being in the housing and automobile industries.

But in the 70's, the world economy became truly international in scope, and the momentum and direction of U.S. industry was irreversibly altered.

Foreign countries have seriously challenged U.S. industrial leadership with competitively priced products of comparable quality.

Although American industry is responding with a growing commitment to exports—to generate business receipts and jobs for American workers—the U.S. share of international markets has been notably decreasing.

Since manufactured products are largely responsible for the deepening trade deficits, the services sector of the economy is becoming a most expansive and lucrative segment of international trade.

As Co-Chairman of the Senate Tourism Caucus, I view it as my job to make sure that the travel and tourism industry receives both the funding and policy considerations commensurate with its contribution to the services export sector of the U.S. economy.

All of the food, lodging, transportation and entertainment purchased during a foreign traveler's visit to the U.S. comprise the tourism export product which produced $14.4 billion, the largest share of $42.8 billion tradeable services receipts generated in 1983.

The tourism export product is unique because it is consumed right here on American soil.

In satisfying all of the needs of foreign visitors, it promotes and distributes valuable commodities produced by the non-tourism sectors of our economy.

In other words, tourism works in tandem with, and more importantly, to the benefit of, other export industries.

Take agricultural trade, for instance.

Last year, foreign visitors consumed an amount of beef equal to all of the cattle in Nevada and as many chickens as are raised in California.

Every time a meal is sold to an international visitor, the restaurant profits, the wholesaler profits, and the farmer profits.

We must remind U.S. dairy farmers that the breakfasts international visitors consume each morning during their stay in this country collectively amount to 20 million gallons of milk and 443 million eggs purchased each year.

Or consider the 5.6 million cases of beer and 8.1 million bottles of wine they consume.

International vistors use nearly four square miles of aluminum foil and enough toilet paper to encircle the globe 75 times.

Think of the number of American workers kept on the job as a result of these purchases.

Each visitor may return home with only a handful of sourvenirs to show as tangible exports, but collectively they consume enough link sausages to stretch from Washington, D.C. to Tokyo.

The products which international visitors consume while here generate ten times the export revenue for American businesses as the gifts and souvenirs they take home.

In gross revenues, tourism ranks second only behind chemicals when all tradeable services, merchandise and agricultural exports are considered.

And consider the impact on the U.S. workforce.

Tourism provided over three times as many jobs and nearly $759 million more in wages and salaries than chemical exports in 1983.

We must do more than show international visitors our country's highlights and fine hospitality in the hopes that they will return next year or perhaps convince a friend to visit the U.S.

Most other countries rely on direct market intervention rather than hope to attract foreign visitors.

Increasing competition from developing and developed nations alike, vie for the benefits of international travel through aggressive marketing efforts.

Despite the fact that foreign governments support the tourism export product by subsidizing, and in some cases completely controlling, promotional advertising campaigns to stimulate travel to those destinations, the U.S. tourism promotion budget for FY 1984 was the 83rd largest among 93 reporting countries on a per capita basis.

The U.S. Travel and Tourism Administration [USTTA] is the government agency within the Department of Commerce whose principal mission is to promote international travel to the United States.

After a long history of subsistence funding levels, USTTA finally gained a $12 million appropriation in FY 84, enabling it to effectuate cooperative public/private advertising programs and improve promotional literature distributions.

Although considerable debate has been devoted to the proper role of government with respect to trade policy, at the very least, USTTA's efforts represent a program that presents no threat to trade liberalization and competes within the context established by our trading partners.

USTTA promotional efforts in the coming months are expected to involve unprecedented cooperation between cities, states, regions, the private sector and the federal government.

The Congress has long been an active supporter of an expanded federal role in tourism. Evidence: Passage in 1961 of the International Travel Act created the United States Travel Service; the National Tourism Policy Act of 1981 created the United States Travel and Tourism Administration; and the Reagan Administration; in 1984 proposed a new Department of International Trade and Industry, recognizing tourism's importance to US competitiveness in global markets.

That is why I am pleased to join with your Mr. Chairman, Senator Inouye, Senator Sasser, Senator Laxalt and others in support of measures to provide $15 million in FY 86 for the U.S. Travel and Tourism Administration and similar amounts in FY '86 and FY '87.

This is not a subsidy for American business.

It is an investment in international understanding, international trade, economic vitality, and cooperation between the private and public sectors.

I am proud of my in support of America's tourism industry and my support of continued funding for USTTA.

I urge speedy consideration and passage of these important measures.

After all, the tourism export industry sells all America has to offer, and it works for America.

STATEMENT OF HON. JIM SASSER, U.S. SENATOR FROM TENNESSEE

Mr. Chairman, today I want to join with Senator Warner, my colleague and fellow co-chair of the Senate Tourism Caucus, in support of S. 374, which calls for a reauthorization of funds for the United States Travel and Tourism Administration [USTTA] for the coming fiscal year, and in support of S. 193, which addresses the out-year spending needs of the agency. I have cosponsored both bills in order to emphasize my support for the USTTA.

Detailed statements from the Travel and Tourism Government Affairs Council, and from the Travel Industry Association of America—both of which perform superbly in cogently representing and arguing the interests of the travel and tourism industry—to the subcommittee will constitute a more complete argument today. As one who is, in effect, filing an amicus brief today, I want to focus my statement on several key points.

I believe that the USTTA is an essential and integral element in the effort to strengthen one of our nation's largest industries and one of the most effective weapons we have in combatting record trade deficits. I urge this subcommittee to support the effort as well, by acting expeditiously and favorably on the legislative initiatives before you.

As one of the founders of the Senate Tourism Caucus and as one concerned about the health and vitality of this industry, I find it economically short-sighted for the Administration to recommend the elimination of the operations of the USTTA. Rather than "zero out" this agency, as it did in its Fiscal Year 1986 budget, the Administration ought to be arming it with more funds so it can lead the war against trade deficits.

As a member of the Senate Budget Committee, I want to point out something here: the Budget Reconciliation Measure we just approved makes no specific reference to spending levels for the USTTA. The Budget Committee deliberations focused on levels of spending by function. Levels of spending less than $50 million aren't even brought up. Quite frankly, the spending levels projected for the USTTA in the two bills before the subcommittee don't even amount to a rounding error when considered in the context of the entire Federal budget.

It is here, in the authorizing process and later on, in the appropriations process that we can state the facts which make the case for the USTTA. And every economic fact of life argues in favor of a stronger, not weaker, national effort to strengthen the travel and tourism industry and to recapture our diminished share of international tourism receipts.

Consider first these facts: travel receipts make up 6.4% of the U.S. Gross National Product; expenditures amount to $210 billion a year; the industry means a $45.8 billion payroll; it means 4.6 million jobs and another 2.2 million people indirectly employed individuals; it means $13.8 billion in taxes for the federal government, $8.7 billion for state governments, and $2.8 billion for local governments—that's six percent of all taxes collected by all units of government in this country in 1983; and it means that international visitors reduced our bloated trade deficit by $11.4 billion in the same year. Otherwise that deficit in the U.S. trade balance would have been that much greater than the $61.55 billion it was for 1983.

The Administration decision to abandon the USTTA is also a decision which summarily overlooks a strategy developed by the industry itself. Late last year a panel representing every sector of the travel and tourism industry finished work on an International Marketing Plan.

Administration plans to eliminate the USTTA would upend the plan and the year of work that went into it because "The principal goal of the plan is to provide the United States Travel and Tourism Administration with a marketing strategy to return the United States to a 13 percent share of the international tourism market," according to James C. Collins, Senior Vice-President for Marketing of the Hilton Hotels Corporation and Chairman of the International Marketing Plan Development Committee.

It has been nine years since the United States had a 13 percent share of a then $45 billion world tourism market, last year it had fallen to 10 percent. Each percentage point increase would reduce our trade deficit by over a billion dollars, add thousands of jobs and provide millions of dollars in taxes to every level of government in the United States. Yet, the Administration declares, with its plan to eliminate the USTTA, that this effort isn't worth the investment of the $7.6 million it cost to fund the agency in 1983, nor the $12 million it costs for Fiscal Year 1984.

Other governments across the world and in the capitals of the states throughout pointedly do not share the view of the Administration. More than 80 nations spend more on a per capita basis to promote tourism than does the United States.

In addition to the per capita comparisons, figures on total dollars spent to promote tourism show the same, unfavorable comparison. Nations ranging from the city state of Singapore to island of Hong Kong, from Korea to France, and from Mexico to to Egypt—all spend more than the United States.

Finally consider the budgets of individual states in our nation. New York, Florida, Michigan and Alaska all spent as much or more than the United States did on the promotion of tourism in 1983. Tennessee, my home state, and the states that border it spent $31.4 million on tourism; this is four times what the U.S. government spent on tourism that year. Altogether, the 50 states spent over $132 million on tourism—almost 20 times what the federal government spent.

It is clear that the states in our own United States and nations all over the world all know that promotion of tourism is a sound investment.

Since the members of this subcommittee also belong to the Senate Tourism Caucus, I trust that the arguments which I submit as a co-chairman of the caucus will find merit. I would like nothing better than to see authorizing legislation receive the unanimous support from you and from the full Commerce, Science and Transportation Committee.

The sooner there is action on authorizing legislation, the sooner there will be action on appropriating the funds which will continue the work of the United States Travel and Tourism Administration, set in motion the process of recapturing our nation's share of the world tourism market, and promote and strengthen the interests of one of our most important industries.

Statement of the Air Transport Association of America

The Air Transport Association of America [ATA], represents most of the scheduled airlines of the United States and seventeen of our member airlines provide regularly scheduled air service between the United States and more than 70 countries. ATA wishes to offer the following observations for the Subcommittee's consideration with respect to the FY 1986 authorization for the U.S. Travel and Tourism Administration [USTTA].

First, we commend this Subcommittee and its Chairman for introducing S. 374 which would authorize funds for the continuance of USTTA, despite the Administration's proposal to eliminate all funding. We fully support the intent and purpose of S. 374 as well as S. 193 introduced by Senator Inouye which would urge Congress to strengthen, not eliminate, the USTTA.

As for the amount of funding, we would refer the Committee to the recent proposed marketing plan for the United States which was completed in August 1984 after a one-year study by the Travel Industry Association of America. This international marketing plan was included in the testimony presented by the Travel and Tourism Government Affairs Council.

ATA staff served on the organization task force which led to the development of the marketing plan and representatives of a number of our members were also involved directly. We fully endorse the marketing plan which calls for a slightly higher funding than the two bills presently pending. Whichever amount is selected, the point is that it will take somewhere in the area of $15,000,000 or more for fiscal year 1986 to get into the program which we believe would be extremely beneficial to all segments of the travel industry. The maketing plan is a five year plan which was developed by high level participation from the entire travel and tourism industry which took over a year to create. The purpose of the plan as stated by the Committee Chairman that worked diligently on this project, James C. Collins, Sr. Vice President, Marketing, Hilton Hotel Corporation, was to help the United States Government compete more effectively with the other 175 governments promoting their countries as tourism designations. We would emphasize the word *compete.* Virtually every country our U.S. airlines serve has a government-operated unit, many headed at the ministerial level, which promotes travel and tourism. Many of these countries also have offices in the United States and budgets sufficient to promote travel from the United States to these other countries. This foreign government promotion is highly competitive and effective. In our view, the United States just cannot afford to say we will not compete.

In addition to the aggessive promotional and marketing activities of foreign countries, the U.S. travel and tourism industry is faced with the effects of a strong American dollar. Currently the travel and tourism industries of other countries are the beneficiaries of the strong dollar, while the U.S. industry could be doing better with the positive support of our government. We believe that the activities of USTTA are indispensable in the effort we feel is necessary.

The airlines, of course, have been doing their share by offering low air fares known as Visit U.S.A. Fares in attempting to attract more foreign visitors to our shores. A number of foreign governments, on the other hand, have resorted to strict interpretations of bilateral pricing language to frustrate these fares wherever possible. These actions obviously indicate the reluctance of those countries to see their own citizens spending money in the United States at the same time those countries are trying very hard to attract, and are enjoying U.S. tourism dollars. We believe the continuation of efforts by the United States Government to promote travel in the United States is an essential element in what we view as a partnership to attract foreign visitors to this country.

From a policy viewpoint, this Administration has done a good job in continuing the goals for international aviation which Congress enacted in the International Air Transportation Competition Act of 1979. (49 U.S.C. 1102(b)). They have sought to increase the number of non-stop United States gateway cities in negotiations with foreign countries. New markets have indeed opened; the cities involved have invested millions of dollars in facilities, not only at the airports, but with respect to the usual tourism infrastructure. In order to serve these new gateways, airlines have invested millions of dollars in new equipment and have individually promoted destinations in this country. Actions by the airlines offer new and increased services, along with actions by other segments of the U.S. Travel industry which have led to an increase of employment in those areas where such services are being provided between the United States and international destinations. The work of USTTA acts as a general promotional cover over hundreds of individual promotional activities attracting foreign visitors to the United States. Consequently, continuation of USTTA is essential to the United States if we are to capture the tourism spending which is important to this nation.

The airlines fully support the continuation of USTTA and urge the Congress to take action to fund USTTA at least the level proposed in S. 374. We further reiterate our support of the proposed marketing plan offered by the Travel Industry of America and strongly urge that it be supported by legislation which would allow the plan to be fully implemented.

Thank you.

The Role of Travel in the Foreign Policy of an Information Economy

(By Cord D. Hansen-Sturm, Vice President, First Family of Travel)

Expenditures by international travelers on personal transportation, lodging, food service, entertainment, and personal goods and services make travel or its synonym, tourism, the largest component by far of international trade in services. The same travel activity and the structures, machines, and people which comprise the travel sector, traditionally have been described from many other policy perspective such as investment, finance, recreation, environment, wholesale and retail trade, economic development, economic sanctions, customs, health, immigration, culture, education, and science.

Federal bureaucracies with vested interests have grown around these compartmentalized ways of looking at the travel activity and the travel business. They are all valid perspectives, but separately and together they inadequately explain why people travel and what is the economic and social input to the political economy from the international travel sector. They fail to grasp the full foreign policy and the national security significance to the United States of inbound and outbound foreign travel.

A key to linking all these different ways of looking at the travel activity is to focus on its principal economic and social output which is information. Travel is an information medium. Whereas recorded information flows via intermediary mechanical and electronic machines, the human information animals at the center of all economic information systems also frequently choose to observe reality firsthand and to communication with each other face to face, in person. The travel infrastructure that enable humans to move their information stocked brains across borders and to sustain them at their destination while they accomplish America's information business is information infrastructure every bit as much as are telecommunications and postal systems. The information gained from foreign trips becomes the information capital of the individual traveler, his employer, and his country.

The information revolution wrought by computers and satellite communications has focused the attention of economics and policymakers on the new field of information economics. The information resource is seen increasingly as the creative building block which allows technologically advanced economies to better utilize energy and materials to satisfy human wants.

However, information economics and information trade policy at this early stage of their development are preoccupied with the new electronic information machinery that has facilitated the geometric expansion in information flows. Intellectual errors in the 1960s of too narrowly defining the information economy around machinery instead of around human information managers, have led to some gross exaggerations and oversights in policy today. Recent developments in organization and information theory are helping to orient economists and information policymakers towards travel as a principle economic as well as cultural information issue.

There are two agencies in the U.S. government whose names indicate their policy concern is information. They illustrate the termendous gap which exists in how the U.S. government is organized to deal with the economic information flows that are the life blood of our information based political economy.

The United States Information Agency promotes information exchange by electronic and mechanical media and human (cultural, scientific, and educational) travel information exhanges. The USIA is not considered a trade policy or a macro economic policy organ of government although its budget for subsidizing the travel of certain information elites far exceeds the budget of the national tourist office. The USIA is selectively concern with matters of non-trade, non-economic foreign policy aspects of information flows:

The National Telecommunications and Information Agency also deals with international information flows but from a trade policy perspective. However, its mandate is mainly to facilitate trade in electronic and to a lesser extent trade in mechanically recorded information. It does not deal with travel as an information medium, yet it claims to handle the universe of all trans-border economic information flows. Information policy, so far as the NTIA is concerned, deals only with canned information that flows across borders via intermediary information machines rather than live information in human brains. This canned information specialization of the NTIA would not be a problem if other information policy elites dealt with live information flows. Most foreign policy and trade policymakers also falsely assume that the economic and trade policy aspects of all information flows are covered by canned information policy as it is currently narrowly defined by the NTIA. The USTR, the International Trade Administration of Commerce Depart-

ment and the State Department information policy experts all exclude travel economic information flows from consideration. No one picks up the slack. Transportation policy organs in the Department of Transportation and the State Department deal with human travels as meat rather than as information files. The Travel and Tourism Administration's principal mandate is to promote foreign leisure travel to the United States. No bureaucracy has become expert on the economic information role of international travel—yet expenditures on business and convention travel are clearly larger than for mechanical or electronic economic information exchange across United States borders.

POLICY IMPLICATIONS

The implications for American foreign trade policy and foreign policy are profound.

If travel is a principal information medium, then grounds exist to consider foreign travel in peacetime as a First Amendment constitutional right of access to information. Free information flows are a recognized core principle underlying other American information policy.

If corporations, scientific institutes, cultural organizations and governments spend as much or more on the travel information activity as they do on postal services and telecommunications, then it is because information managers consider travel to be an equal or better information medium. This argues for greater emphasis on facilitating and promoting international travel flows.

If useful economic information results from the overseas travel of American scientists, businessmen, and students, then the current mercantilist, balance of payments, almost exclusive emphasis on inbound leisure travel by foreigners on vacation is an inadequate way of judging the economic benefits to the nation. Business travel both ways, and outbound travel by America's information elites should also receive attention.

If information is the principal output of the travel activity, then not only transportation but the entire travel sector is essential infrastructure for all foreign trade and foreign policy activities that require in-person observation and communication. Tourism can no longer be viewed as a recreational tail wagging on the transportation dog, but rather international passenger transporation must be viewed as one leg of a much larger travel and tourism economic workhorse.

To summarize, the information transfer perspective provides foreign policy organizations dealing with travel policy a powerful analytical tool with which to analyze the benefits of international travel and arguments for reducing barriers to free travel information flows.

○